Ostriches take off
American farmers cash in on the big bird
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Get them laughing
Humour as a serious marketing tool
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Fast bucks by phone
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FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY JULY 29 1993 — D8523A

Russia's deputy PM vows to annul rouble reform

Boris Fyodorov, the Russian deputy prime minister and finance minister, vowed to fight to the end to annul the Russian central bank's "useless and unjustified" decision to withdraw all pre-1993 roubles from circulation. He also demanded the resignation of Victor Gerashchenko, the central bank chairman.

Within hours of returning to Moscow from Washington, Mr Fyodorov said western officials were also "extremely concerned" over the central bank's action. Page 10

Japanese coalition challenge: Japan's Liberal Democratic party was on the verge of losing power after seven opposition parties agreed to support a joint prime ministerial candidate and form a coalition government. Page 10

Clinton's budget blitz: President Bill Clinton has begun a last-ditch effort to win support for his budget package with a blitz of briefings and lunches for businessmen and journalists from key states. Page 4

Doubts over Brazilian sell-offs:

Doubts are growing among Brazilian investors over the commitment of president Itamar Franco (left) to the privatisation cause as delays mount up, including the postponement of two sales this week. Mr Franco formerly opposed privatisation but backed the policy after recognising the cost of the state sector to the Treasury. Page 4

Brussels deal over Efim: The European Commission reached preliminary agreement with Italy allowing it to repay L7,000bn ($4.34bn) to creditors of Efim, the state industrial holding. Page 10; Brussels plans crackdown on industrial piracy, Page 2; Italian security chief quits, Page 2

Gatt chief urges speed: The director-general of the General Agreement on Tariffs and Trade, Peter Sutherland, called for greater urgency in talks on concluding the current round of trade liberalisation talks by December 15. Page 4

Nomura Securities, one of the world's largest stockbrokers, is bailing out a property lending affiliate, Nomura Finance, by merging it with another offshoot. The move will entail the write-off of Y200bn ($1.87bn) in bad loans. Page 11

French focus on business: The French government plans to use some of the FF70bn ($11.77bn) windfall from its Balladur bond issue to help business. It will also invest in regional schools and colleges. Page 3

Bosnia deal closer: President Alija Izetbegovic of Bosnia appeared to be yielding to international pressure when he began discussing with his Serb and Croat rivals the proposed partition of the republic along ethnic lines. Page 3

Hyundai lockout threat: Two Hyundai companies threatened to lock out workers over pay demands. The South Korean government also sent riot police to Hyundai's main manufacturing base, in possible preparation to end the strikes affecting six Hyundai companies. Page 3

Ford Motor and Chrysler, two of the Big Three US car manufacturers reported strong growth in second-quarter profits, to $775m and $685m respectively, powered by recovery in the US economy and market share gains over Japanese rivals. Page 11

BAT Industries, the tobacco and financial services group, increased first half pre-tax profits 35 per cent to £906m ($1.35bn), but warned of an underlying decline in tobacco profits. Page 11; Lex, Page 10

Groupe Bull, French state-owned computer manufacturer, saw sales fall and losses rise in the first half of 1992, reporting net losses of FFr1.98bn ($341m) compared with losses of FFr1.69bn year on year. Page 12

India government survives: The minority government of PV Narasimha Rao, India's prime minister, survived a parliamentary motion of no confidence by a narrow margin of 14 votes, after days of intense political bargaining. Page 3

Tandem Computers, latest victim of computer industry turmoil, plans to cut its workforce by about 15 per cent in a restructuring. Page 13; When surgery will not prove the whole cure, Page 11

■ STOCK MARKET INDICES		
FT-SE 100:	2884.2	(+4.8)
Yield	3.97	
FT-SE Eurotrack 100	1238.35	(-0.60)
FT-A All-Share	1428.88	(+0.2%)
Nikkei	19,829.58	(-61.81)
New York: lunchtime		
Dow Jones Ind Ave	3562.11	(-3.35)
S&P Composite	448.58	(+0.34)
■ US LUNCHTIME RATES		
Federal Funds:	2 13/16%	
3-mo Treas Bills: Yld	3.147%	
Long Bond	105 29/32	
Yield	6.662%	
■ LONDON MONEY		
3-mo Interbank	6%	(6 1/16%)
Liffe long gilt future:	Sep 108 1/16	(Sep 107 31/32)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Sep)	$17.05	(17.08)
■ Gold		
New York Comex (Aug)	$393.4	(391.2)
London	$394.2	(391.5)

■ STERLING		
New York lunchtime:		
$	1.4925	
London:		
$	1.4925	(1.49)
DM	2.5675	(2.57)
FFr	8.7425	(8.78)
SFr	2.26	(2.265)
Y	157.25	(158.5)
£ Index	81.1	(81.5)
■ DOLLAR		
New York lunchtime:		
DM	1.7183	
FFr	5.8555	
SFr	1.513	
Y	105.2	
London:		
DM	1.72	(1.7255)
FFr	5.8575	(5.8925)
SFr	1.5145	(1.5205)
Y	105.3	(106.35)
$ Index	65.7	(66.0)
Tokyo close Y 106.05		

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr60	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	Kcs45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Peo45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils 600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.26	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr60	Qatar	QR12.00	Turkey	L6000
						UAE	Dh11.00

New ventures will help industry adapt to cuts in state spending

Drug groups form new links

By Paul Abrahams in London

FOUR of the world's largest drugs companies yesterday announced wide-ranging deals as part of the global industry's attempt to adapt to reduced government spending on medicines.

Warner-Lambert of the US has negotiated a global worldwide joint venture with Britain's Wellcome, fusing their over-the-counter (OTC) non-prescription medicines businesses.

It has formed a separate strategic alliance with Glaxo Holdings, Europe's biggest drugs company, to market the British company's prescription drugs over the counter.

Meanwhile, US-based Merck, the world's biggest drugs group, has agreed to acquire Medco Containment, the largest US drugs mail order drugs distributor, for $6bn.

The deal will bring Merck into the fast-growing drugs mail order business. The sector has grown from $750m in 1986 to about $3.9bn last year and is expected to reach $5bn this year. Medco has about 50 per cent of the market.

Warner-Lambert's deals give the company access to two of the world's eight top-selling prescription drugs – Glaxo's anti-ulcer treatment Zantac, which had prescription sales last year of $3.4bn, and Wellcome's anti-viral medicine, Zovirax, which generated sales of $1.15bn.

Neither Zovirax nor Zantac has been licensed as an OTC product by the US Food and Drug Administration. Most successful OTC products have previously been prescription medicines.

Although Warner-Lambert is one of the world's leading OTC companies, it has few prescription drugs that could be sold over the counter.

The OTC market is expected to grow rapidly as more prescription drugs lose their patent protection. Governments are encouraging products to switch from prescription to OTC status, because consumers themselves pay directly for non-prescription drugs.

Muscle behind a counter offensive .... Page 9
Lex .... Page 10
Merck acquires Medco drug group in $6bn deal .... Page 11

"This is a first-class deal for Wellcome," said Mr John Robb, chief executive. "There will be more of these deals, and we are pleased to have stolen a march on the opposition."

Warner-Lambert's joint venture with Wellcome, to be called Warner Wellcome Consumer Health Products, would have had sales last year of $1.6bn, making it the third largest OTC company in the US after Johnson & Johnson and American Home Products. It will be the fourth largest in Europe.

Mr John Walsh, president of Warner-Lambert's consumer sector, said the new business continued to be weak in Germany and would need to be strengthed.

Zovirax was the only licensed treatment for genital herpes in the US and had huge potential, he said. There were no plans to submit an application in the US for a Zovirax cream for cold-sores. In Germany and the UK the drug has OTC approval for this illness.

Wellcome's OTC business had sales last year of about $340m, representing about 14 per cent of group sales. Warner-Lambert will not be bringing its Rolaids anti-acid treatment or Halls cough drops to the joint venture.

The US group will be the managing partner of the new company and receive 70 per cent of US profits. Wellcome, which will have three of the seven members of the board, will receive the remainder. For the rest of the world, the profits will be share on an approximately equal basis.

Glaxo's decision to form the strategic alliance with Warner-Lambert confirms chairman Sir Paul Girolami's insistence that his company will not diversify away from prescription medicines.

Mr Franz Humer, Glaxo's chief operating director, said there was no link between the Warner-Lambert deal and the recent sacking of Dr Ernest Mario as the group's chief executive.

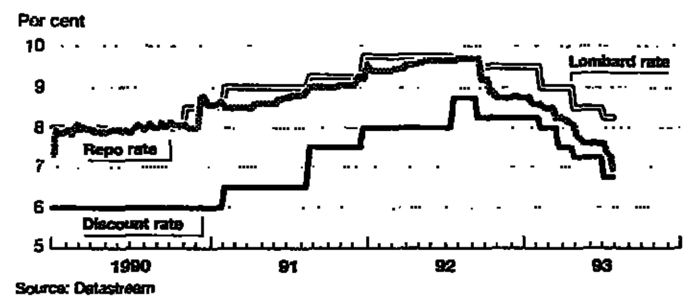
Glaxo's joint venture will concentrate on developing Zantac in the US and Europe, although not Japan where it already has an agreement. The drug is likely to be submitted for approval in the US during 1994. It will be marketed by Warner-Wellcome.

In London, Wellcome's shares rose 31p to 696p, while Glaxo closed up 10p at 558p. Warner-Lambert was up $⅝ at 58⅞ by midday on Wall Street. Merck's shares were down $1¼ at $31.

Bundesbank cut raises ERM hopes

By James Blitz in London and Judy Dempsey in Berlin

German interest rates



Source: Datastream

THE Bundesbank yesterday cut the cost of lending short term funds to commercial banks, raising expectations that it would reduce its official rates at a council meeting today and quell growing currency tensions inside the European exchange rate mechanism.

The German central bank's cut in its repo rate from 7.15 per cent to 6.95 per cent was slightly larger than currency dealers had expected, and raised hopes that it would today cut the internationally sensitive discount rate, which sets the floor for all German money market rates.

The bank cut its discount rate to 6.75 per cent from 7.25 per cent on July 2. The Lombard rate was lowered from 8.50 per cent to 8.25 per cent at the same time.

Yesterday's repo rate cut helped quell tensions in the ERM at the start of European trading, including heavy selling of the Spanish peseta and Portuguese escudo, and continued pressure on the French franc.

Analysts were uncertain about what decision the Bundesbank would have to take today to quell tensions in the ERM during the remaining summer weeks.

In UK financial markets, there was strong speculation that a large cut in German interest rates today might allow the British government to lower base rates, currently at 6 per cent. That speculation pushed sterling ¼ pfennig down against the D-Mark to close at DM2.5675.

The Bundesbank meeting, the last before the summer recess, will be the most keenly watched event in currency markets since the ERM crisis of last September, which triggered the departure of sterling from the system.

There was a strong assumption in the London market that the Bundesbank would cut its discount rate by ½ a percentage point. Some analysts believed rates would need to be easedby ¾ of a per centage point to ensure that France and other ERM countries to have an opportunity to lower the cost of short-term borrowing.

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■ Gilts auction
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■ Government bonds
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■ Currencies

There were fears that the Bundesbank was giving priority to domestic price stability rather than the ERM. "If we do not cut the discount rate, then the French franc might go the same way as sterling, and leave the system. The view will be that the Bundesbank is not committed to ERM, or to the second phase of the Maastricht treaty," a German economist said.

Yesterday's cut in the repo rate was sufficient to halt intense selling of the Spanish peseta, which fell by about 2 per cent against the D-Mark in the early European morning.

There was also heavy selling of the Portuguese escudo, which fell to a historic low against the D-Mark, and came very close to its ERM floor against the German currency. Both currencies recovered after the Bundesbank's action, the Spanish peseta closing at Pta80.41 against the German currency. The French franc rallied to close at FFr3.405, amid a slight softening in French money market interest rates.

Economists call for end to ERM

SIX of the world's most eminent economists, including three Nobel prize winners, today call for France to lead the way in the abandonment of the European exchange rate mechanism.

In an article published in the Financial Times, they argue that Europe is repeating the mistake of the 1930s, when countries tried to maintain currency values in spite of economic depression.

The economists say: "In 1931, when Britain went off gold, a baffled ex-labour minister noted: 'They never told us we could do such a thing'. Just in case the message has not got through to France and Spain: no, it is not un-European to uncouple from the D-Mark, and not even unwise."

The six – Olivier Blanchard, Rudiger Dornbusch Stanley Fischer, Franco Modigliani, Paul Samuelson and Robert Solow – are all professors of economics at Massachusetts Institute of Technology. Professors Modigliani, Samuelson and Solow are past recipients of the Nobel prize for Economics.

Timed to coincide with today's Bundesbank council meeting, the article argues that, from now on, stimulating job growth should be the first priority of EMS countries.

Why the EMS deserves an early burial, Page 9

Israel promises no respite until Hizbollah attacks stop

By Julian Ozanne on the Israel-Lebanon border, Mark Nicholson in Nabatiyeh and Michael Littlejohns in New York

MR Yitzhak Rabin, Israel's prime minister, pledged that refugees fleeing the Israeli bombardment of their villages in southern Lebanon would not be allowed to return to their homes until rocket attacks by pro-Iranian Hizbollah fighters ceased.

As Mr Rabin spelt out his government's policy, Mr Boutros Boutros Ghali, United Nations secretary-general, condemned the Israeli attacks, which have driven an estimated 200,000 civilians from southern Lebanon.

The US criticised Israel for the attacks and called for an end to the fighting. "We call on the parties to take all necessary steps to end this violence. This includes an end to Israeli air and artillery bombardments and an end to Hizbollah and other terrorist group attacks," the State Department said.

The crushing bombardment and air attacks on the region continued for a fourth day, as Israel directed its heavy artillery fire to the area south of Tyre and shelled further north to broaden the area it effectively controls.

Mr Boutros Ghali said in a statement issued through a UN spokesman: "Given the evolution of the situation in Lebanon, as well as the historic background of the Middle East conflict, it is deplorable that any government would consciously adopt policies that would lead to the creation of new flows of refugees and displaced persons."

Editorial Comment .... Page 9

In Nabatiyeh, a town which has been under sustained attack, remaining residents were trapped without transport and with dwindling food supplies.

Mr Rabin yesterday called on Syria to use its influence to curb the Islamic fighters and said a dialogue with Damascus would open when Mr Warren Christopher, US Secretary of State, visits the region at the weekend.

Syria called for international pressure to force Israel to stop its attacks, which official newspapers described as barbaric and a threat to regional peace. One newspaper said: "Unless Israel is forced to comply with international resolutions, there will be no room for peace nor will there be a single chance for Christopher's expected tour to succeed."

President Elias Hrawi of Lebanon said the country was united against the Israeli occupation of the south and all its resources were at the disposal of those forced from their homes.

An Israeli army spokesman in the border town of Metulla said that by yesterday morning 14,500 shells had been fired into southern Lebanon.

Hizbollah fighters, massively overwhelmed by superior Israeli firepower, continued to harass Israeli forces, launching 28 Katyusha rockets, three of which landed in Kiryat Shmona, an Israeli town close to the border.

Lebanese reports said at least 14 people, including two guerrillas, were killed and 90 wounded yesterday, bringing the death toll since Sunday to 77, mostly civilians, with 415 injured. Israel said it had killed 110 people, 60 of whom were civilians.

Israel twice eased the shelling to allow villagers to scramble out of their homes to relative safety on the clogged northbound roads.

CONTENTS

Piëch sees no early end to VW's row with GM

By Christopher Parkes in Wolfsburg

VOLKSWAGEN, bruised by allegations from General Motors of industrial espionage, yesterday sought to restore confidence with claims that it was winning the war in the European car market.

At a press conference at his company's headquarters in Wolfsburg, Mr Ferdinand Piëch, VW chairman, aired suspicions of dirty tricks, and repeated charges that GM had resorted to mud-slinging to further its allegations of industrial espionage by VW employees.

But he also produced data which suggested that VW was making a strong recovery after its loss of DM1.25bn ($720m) in the first quarter. He said orders in June were more than 15 per cent up on the same month last year and that the new Golf model had widened its market lead over the Astra, built by Adam Opel, GM's German subsidiary.

Mr Piëch cited an independent motor industry expert's view that GM was trying to damage VW in a commercially motivated war, started after Mr Piëch hired Mr José Ignacio López de Arriortúa, GM's global procurement director, in March.

In his first press conference to defend VW, Mr López and four former GM employees who followed him to the German car maker against industrial espionage allegations, Mr Piëch quoted Mr Daniel Jones, professor of motor industry management at Cardiff University: "This is a war."

He used Mr Jones's opinions to support VW's claims that the spying charges were untrue but were being used to further GM's real aim – to disrupt the German group's recovery programme by depriving it of the renowned cost-cutting and innovative production skills of Mr López and key members of his GM team.

But he returned to the attack with accusations that the US group was attempting "to abuse public prosecutors [investigating GM's spying charges], the media and public opinion to slander our

Continued on Page 10
Piëch hurls some mud, Page 2

NEWS: EUROPE

Old-guard politicians, Mafia and renegade intelligence agents said to be behind car bombs in Rome and Milan

Italian security chief quits

By Robert Graham in Rome

THE head of Italy's domestic intelligence service resigned yesterday as President Oscar Luigi Scalfaro and Prime Minister Carlo Azeglio Ciampi talked of a "criminal design" to destabilise Italy at a delicate moment of political transition.

They called for calm in a nation last week rocked by the suicides of two prominent figures involved in the corruption scandals.

The resignation of Mr Angelo Finocchiaro, head of the Sisde intelligence agency, followed three car bomb explosions in Rome and Milan on Tuesday night. Five people were killed.

It was not clear whether Mr Finocchiaro's resignation was forced by the Ciampi government. But there has been strong criticism by politicians of the lax control of Italy's security services, and their apparent failure to control terrorism that has killed 10 people in the past two months.

Although the precise responsibility for the car bombs remains a mystery, officials said yesterday they had been planned deliberately. The bombs exploded as political parties are about to approve electoral laws that will usher in a largely new political class and at a crucial stage in the investigations into political corruption: leading politicians of the past decade are expected soon to be linked to enormous sums of illicit money.

In response to the latest outrage, Italy's trade unions held two-hour stoppages in Rome and Milan yesterday, accompanied by large demonstrations. Pope John Paul II made a point of inspecting the damage at the sites of the two car bombs in Rome – the basilica of St John Lateran and the 12th century church of St George, Velabro.

As with the two earlier bomb outrages at Florence's Uffizi Gallery and in a wealthy residential area of Rome in May, the authorities were unable to give clear indications of those responsible. No arrests have been made in the two months since these bombskilled five people in Florence and damaged part of the world-famous picture gallery as well as injuring 23 in Rome.

Mr Nicola Mancini, the interior minister, pointed the finger at organised crime. He said there were similarities between Tuesday's bombs and the car bomb that assassinated Mr Paolo Borsellino, the anti-Mafia judge, in Palermo last July, as well as the bombing of the Naples-Milan train in 1984 that killed 15 people.

The Borsellino killing was the work of the Sicilian Mafia, while the Naples-Milan train bombing was blamed on a mix of organised crime, right-wing extremists and elements within the security forces. Uncontrolled elements in the security services along with the Mafia, backed by some of the old-guard politicians, are now being accused of orchestrating the car bombs.

In the wake of the Uffizi car bombing on May 27, the Ciampi government carried out four changes in the senior hierarchy of the security services. Pressure for a major clean-up of the Sisde has increased in recent weeks following the discovery that a number of top officials, past and present, had expropriated L14bn ($8.7m) of its funds and had been running a travel agency on the side.

The car bombs all exploded during the late evening/early morning. Yesterday, the authorities played down earlier suggestions that firemen had been lured to a burning car in Milan with the bomb then being exploded. Two car bombs were placed beside two ancient religous buildings in Rome – St John Lateran, which once housed the Popes and was where Mussolini signed the 1929 pact with the Church. All three bombs were directed against Italy's cultural/artistic heritage, the Milan explosion being outside the Contemporary Art Museum. The portico of St George, Velabro, was destroyed after recently being restored at a cost of L300m.

Mr Franco Nobili, 67, former chairman of Iri, Italian state holding company, was yesterday released after 77 days in a Milan jail on corruption charges. His release follows the suicide in prison of Mr Gabriele Cagliari, former head of Eni and also accused of corruption, and criticism of magistrates' use of preventative detention.

President Scalfaro and Pope John Paul II inspect the damage to the basilica of St John Lateran in Rome

Consensus on new leader for bank eludes EC

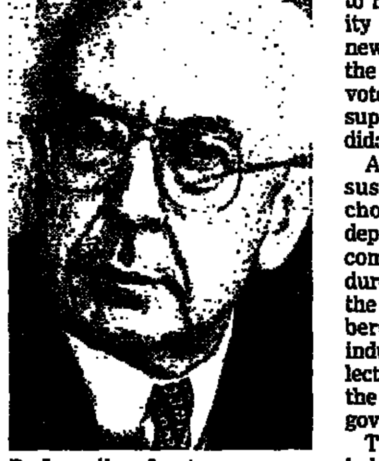
Battle for EBRD post still wages

By Anthony Robinson, East Europe Editor

THE European Community last night failed to agree on a consensus candidate to replace Mr Jacques Attali as head of the European Bank for Reconstruction and Development (EBRD), after an extra week of increasingly fraught horse-trading.

The top post in the EBRD, which was set up two years ago to foster investment in former communist eastern Europe, has become a pawn in the greater struggle for possession of a future European central bank.

Right up to the end of the week-long extension to the original deadline for a decision, Italy and Denmark were still refusing to renounce their own candidates. Mr Giuliano Amato, the former Italian prime minister, and Mr Henning Christopherson, Denmark's EC commissioner, in favour of Mr Jacques de Larosière, the French front-runner for the job. The name of Mr Leszek Balcerowicz, the former Polish finance minister, also remained on the table.



De Larosière: front-runner

But unconfirmed reports last night indicated that one of the two EC rivals was on the point of withdrawing in favour of Mr de Larosière, a former president of the International Monetary Fund. The votes of the 12 EC countries are not sufficient to make the 51 per cent majority of votes required to elect a new leader of the bank. But the US, which has a 10 per cent vote, made clear that it would support an EC consensus candidate to head the bank.

A failure to reach a consensus would mean that the choice of a president could depend on the outcome of a complex postal voting procedure. This takes into account the weighted votes of the members of the Group of Seven industrial countries, which collectively possess 55 per cent of the total, and those of the 57 governors of the bank.

The latter represent shareholder governments, both east and west, which have one vote each, plus one vote each for the EC and the European Investment Bank. To be successful, a candidate has to achieve a majority of both the weighted votes, which are related to the size of the country's shareholding, and the governors' votes.

Piëch hurls some of his own mud

Christopher Parkes goes to Wolfsburg to hear VW chief answer GM and prosecutors

MR FERDINAND Piëch, Volkswagen chairman, yesterday established that he is quite adept himself with the weapon he accuses General Motors of using against him – mud.

Having summoned reporters to "Alaska", (his pet name for VW's northern home town, Wolfsburg, in the days when he was head of Audi in Bavaria), he was in a mood to practise his marksmanship.

There was one in the eye for the press and a couple for the public prosecutors investigating suspected industrial espionage by four of his new employees, most notably production director, Mr José Ignacio López de Arriortúa. A special bombardment was reserved for "our opponents".

Displaying a mild tan and no signs of resentment at having been dragged back early from his holidays, he proposed that GM and Adam Opel, its German subsidiary, call off their "shady manoeuvrings" and their "attempts to abuse the public prosecutor's office, the media and public opinion".

His first press conference on the issue has followed a bad spell for the VW side in which the company failed to secure a gag on the news magazine Der Spiegel, which had aired suspicions and allegations that Mr López and members of his team systematically plundered GM's confidential data banks and files before joining VW. This attempt at gagging was the result of bad advice, Mr Piëch said yesterday.

Then state prosecutors investigating GM's suspicions of industrial espionage decided to widen their probe from Mr López and his first lieutenant Mr Manuel Gutierrez, to include two more GM defectors after establishing possible links between Mr López and documents found in their former home.

While pondering aloud if foreign reporters were aware of the law in Germany – that a person is innocent until proven guilty – he appeared well briefed when confronted with detailed questions on his allegations. His normal stop-go style of delivery was more than usually punctuated by pauses.

He reminded his audience of his interview with the weekly magazine Stern, to be published today, that VW had been subjected to mud-slinging – although he did not repeat what he told the magazine, that it would defend itself accordingly.

His suspicions were based on facts, he claimed. Facts such as the "unknown ways" in which four boxes of papers and slides, including details of a secret Opel mini-car project, reached investigating prosecutors from their place under the stairs in the former home of the defectors, Mr Jorgé Alvarez Aguirre and Mr Rosario Piazza.

In the time between their departure from Opel – and from their Wiesbaden house – for Volkswagen and Wolfsburg, "other hands" had been involved, he said. Meanwhile, two audits of VW computers had not turned up anything untoward.

But Mr Piëch seemed happier on the firmer ground of "facts" than in the mud-patch. His demeanour brightened visibly when he turned to his constant companion – a shiny alloy briefcase – to rummage for market data.

He had focused his presentation on an extract from a New York Times interview with Mr Daniel Jones, professor of motor industry management at University of Cardiff in Wales. "This is corporate war. GM wants Volkswagen to stay a big, uncompetitive and bureaucratic company. This is a campaign by GM to do exactly that. ...They are going after López until they get him," according to Mr Jones.

Mr Piëch had found in Mr Jones a valuable and authoritative ally to support his contention that GM's assault is a commercially motivated war designed to damage VW at a time when it is fighting not only for its own survival but that of the whole European motor industry.

GM, VW claims, wants to deprive its Wolfsburg competitor, regardless of the means used, of its prize catch, Mr López, and disrupt the restructuring.

From his briefcase he fished detailed data on recent increases in incoming orders, to supplement figures in his opening statement showing that VW's top-selling Golf was widening its market share advantage over Opel's Astra rival.

VW's second-quarter loss would be considerably less than the DM1.25bn ($.72bn) in the first three months of this year, and the group would return to profit in the third quarter. It was implicit that GM had reason to be worried about the rapid revival of its wounded but agile European competitor.

News agency portable telephones clicked, and in faraway Frankfurt the market gave Mr Piëch an implied round of applause – a rise of almost DM12 in the VW share price.

GENERAL Motors in Detroit yesterday maintained a silence over the latest escalation in its conflict with Volkswagen, writes John Griffiths in London.

It was left to Opel, General Motors' German manufacturing subsidiary, to rebuff comments made by Mr Ferdinand Piëch, the VW chairman, that GM could have planted confidential documents found at a flat in Wiesbaden formerly occupied by a GM manager.

"The accusations and allegations by Mr Piëch are on an amazingly low level," Opel said in a statement, rejecting all of them as "without any substance".

The company added: "The statements made by Mr Piëch are in sharp contrast to the well advanced investigation results by the Darmstadt public prosecutor's office."

Recycling managers arrested

By Ariane Genillard in Bonn

FOUR managers from Thyssen Sonnenberg, the much vaunted recycling subsidiary of the Thyssen group, were yesterday arrested on suspicion of exporting toxic waste to France.

The four men, who include Mr Günther Giffels, chairman of the board of management at the Düsseldorf-based subsidiary, will be held in custody until a legal hearing due today, the prosecutor's office in the state of Hesse said.

The arrests are likely to cause considerable worry among German recycling companies which fear recurring and cumbersome examinations from public authorities.

German authorities, at federal and state levels, are anxious to improve their country's image following scandals involving export of toxic waste.

The Frankfurt-based prosecutor's office, which is currently investigating 40 companies for possible violations of Germany's strict environmental laws, is accusing Thyssen Sonnenberg of dumping toxic waste in France by exporting it to a front company on the Franco-German border.

Thyssen Sonnenberg denounced the arrests, calling the prosecutor's suspicions "unfounded". It said both German and French authorities had given permission, renewed until May 1994, to export waste to its French subsidiary, Lormet, in Pagny sur Meuse.

But the prosecutor's office yesterday said: "We have reasons to believe that Thyssen Sonnenberg mixed toxic waste with normal waste in order to export it. It then could tell German authorities that it was going to recycle the waste in its French subsidiary at lower costs." The subsidiary was bought a year ago, by Thyssen Sonnenberg and another German recycler called Eumet, the prosecutor's office said.

Heavy penalties imposed over milk quota failures

By Lionel Barber in Brussels

THE European Commission yesterday agreed to claw back Ecu2.3bn ($2.59bn) in unnecessary subsidies to Italy, Greece and Spain which systematically failed to enforce milk production quotas in the 1980s.

The penalties are among the most severe in recent memory, although they fall short of the original Ecu5.38bn in excess spending incurred by the European Community between 1984 and 1992.

The reduced penalty was settled upon because the three member states have pledged to respect new rules to curb overproduction, and partly because the EC is offering an extra Ecu240m of special assistance to Italy and Spain to remove 2m tonnes of excess milk capacity.

Both Italy and Spain face net payments this year of Ecu100m and Ecu50m only. However, Italy faces a total bill of Ecu1.345bn – which it will "pay" through a reduction in EC subsidies. The EC will recover Ecu960m from Spain, but only Ecu5m from Greece.

EC officials said the penalty levied against Italy was the toughest in more than 20 years. It underlined the determination of Mr Rene Steichen, EC farm commissioner, to make the new milk quota reforms work.

A Brussels spokesman stressed that the one-year increase in the Italian milk quota of 900,000 tonnes was only provisional and would be withdrawn if the Rome government failed to respect the rules.

The same applied to Spain's increase of 500,000 tonnes and Greece's extra quota of 100,000 tonnes.

As late as 1991, neither Italy, Spain nor Greece had a system in place to supervise milk production or to collect the levy, according to a report by the Community's Court of Auditors.

The Commission continued to pay full subsidies even though failure to collect the additional levy should have disqualified the three countries from obtaining matching levels of spending.

Brussels split over loans for steel restructuring

THE European Commission yesterday failed to agree a loan scheme to help steelmakers establish a $1bn restructuring fund, dealing another blow to the European Community's steel rescue plan, Reuter reports from Brussels.

Several commissioners questioned the legal basis which would be used to implement the plan, a Brussels spokesman said.

The Commission will not be able to consider the matter again until early September because of its August break. This could make it difficult for steel companies to meet the Community's September 30 deadline for presenting a restructuring plan.

That deadline was already in doubt because the EC postponed a critical meeting of industry ministers which was supposed to resolve several steel subsidy disputes this month.

The loan scheme is part of an EC rescue plan designed to persuade steel companies to shed 30m tonnes of excess crude steel capacity.

The money would be lent to groups of companies, organised along three product lines, which had agreed to pool funds to finance capacity cuts.

Those making the cuts would be paid by those who benefited, with the loans helping to get the plan off the ground.

Commission sources said the scheme would involve about Ecu1bn to cover capacity cuts of about 10m tonnes of finished steel products, divided as follows:

- Ecu700m for 6m tonnes of hot-rolled coil and strip;
- Ecu140m for 2m tonnes of plates;
- Ecu160m for 2.5m tonnes of heavy sections.

Brussels is seeking about 20m tonnes of cuts in finished products, but some will have to come from companies which are not part of those groups, a Commission official said.

The spokesman had no further details about the problems with the scheme's legal basis, but said the Commission's legal service had some reservations.

The plan is based on provisions of the European Coal and Steel Community treaty.

Industry ministers are scheduled to meet on September 21 to resolve disputes over Spanish and Italian plans to aid their steel industries, a move considered critical to the restructuring effort.

US trade watchdog displays its mettle over steel, Page 4

Commission in retreat on mergers

By Lionel Barber in Brussels

THE European Commission yesterday bowed to opposition from the UK, Germany and France and staged a tactical retreat in its campaign to expand its powers to vet large mergers.

Mr Karel Van Miert, the Belgian Commissioner responsible for competition policy, said he hoped member states would reconsider their opposition to lowering thresholds above which the Commission investigates deals affecting the EC.

Mr Van Miert said business was generally in favour of the Commission proposals but governments and national competition authorities had resisted because of fears of transferring power to Brussels.

At present, Brussels looks at all mergers involving companies with a combined world turnover of Ecu5bn ($5.65bn). The Commission originally wanted to a reduce this threshold to Ecu2bn. It also wanted to lower the threshold on combined sales within the EC from Ecu250m to Ecu100m.

If the Commission had won support for lowering the thresholds, the Merger Task Force's workload would have doubled to around 110 cases a year. Mr Van Miert made clear, however, that he did not wish to introduce uncertainty by forcing the issue – a reference to the 17 years it took for member states to agree to EC merger regulations.

The Commission now intends to take further measures to promote greater transparency and efficiency in its rules. It would like to publicise commitments made by parties to remedy clear-cut competition problems after the initial one-month vetting period. Subject to business confidentiality, it would like to introduce prior publication to commitments offered by parties in so-called Phase Two cases.

Brussels plans crackdown on industrial piracy

By Lionel Barber in Brussels

THE European Commission yesterday proposed wide-ranging measures to protect industrial designs in order to prevent trade piracy and to strengthen the single market.

The new rules, which must be approved by the Council of Ministers and European Parliament, cover electronics, furniture, fashion and the controversial market in industrial spare parts.

The Commission proposals are linked to an expanding Brussels effort to harmonise national rules covering trademarks, copyright, and intellectual property, supported when necessary by Community-wide legislation.

The Commission said new legislation was necessary because national laws on design protection varied widely. It said: "Superior design is an important instrument for European industries in their competition with industries from third countries having lower production costs."

Under the new initiative, member states will be asked to support a new Community Design Office which will offer protection throughout the EC. National design rights will not be abolished, but the goal is that the EC design will gradually supersede them.

The Commission proposed that industrial designs with an "individual character" will be eligible for EC-wide protection from counterfeiters for five years, renewable up to a maximum of 25 years.

Industries such as fashion which produce large numbers of designs with a short shelf life can apply for a weaker form of protection called Unregistered Community Design. This would apply for a maximum of three years, and would exist once the design was made available to the public.

The Commission took a more controversial decision on the level of protection to be offered to spare parts for cars. Under the Brussels proposal, spare parts would receive only three years' protection from the date a model comes on to the market.

The decision represents a victory for commissioners such as Sir Leon Brittan who argued that greater protection would restrict competition and raise costs to consumers; but it is a setback for large car companies such as Fiat and VW which wanted broader protection for items such as bonnets or bumpers whose design is dictated by the car's overall appearance.

Commission officials hope to introduce legislation within the next two years. The initiative follows extensive consultations.

EC plans tougher banking rules

By Lionel Barber in Brussels

THE European Commission yesterday announced proposals to strengthen the powers of banking supervisory authorities in the EC in the wake of the Bank of Credit and Commerce International scandal.

The proposals call for tightened supervision of all financial institutions, ranging from banks, credit institutions, and insurance businesses, to ensure that their operations are transparent – a quality which was absent in the case of BCCI, making it more difficult for the supervisory authorities to intervene.

The Commission said that although the basic approach of its second banking directive, investment services directive, and third-generation insurance directive was sound, new provisions were needed to strengthen the supervisors' powers to monitor the institutions under their remit.

The Commission also proposed:

- A new requirement whereby the financial institutions must maintain their head offices in the same member state as the registered office.
- A widening of the list of bodies with whom confidential supervisory information can be exchanged by the authorities.
- Obliging auditors to report to the authorities any irregularities which might harm customers, the financial system or the undertaking itself.

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Bosnia deal on partition edges closer

By Laura Silber in Geneva

PRESIDENT Alija Izetbegovic of Bosnia yesterday appeared to have succumbed to intense international pressure when he began discussing with his Serb and Croat rivals the proposed partition of the republic along ethnic lines.

A Bosnian diplomat yesterday confirmed that the Bosnian delegation was discussing maps, and the possible formation of a confederation.

It was also revealed yesterday that western experts met Bosnian leaders to discuss the establishment of national currencies and financial institutions.

Until yesterday, Mr Izetbegovic has consistenly rejected the republic's partition. "He hasn't yet made the leap of faith but he's moved nearer," said a diplomat at the Geneva peace talks.

However, the Bosnian delegation spoke bitterly of betrayal by the international community.

Mr Haris Silajdzic, the foreign minister, said he was "pessimistic" about the prospects for a settlement.

"These negotiations seem to be on the basis of the situation on the ground which was created by brute force and genocide," he added.

Serb leaders, however, seemed increasingly convinced they had achieved their aims. Mr Radovan Karadzic, the Bosnian Serb leader, yesterday warned Moslems of their stark choice in ending the war. "One way would be through talks, the other would be total defeat of one side – and it would be the Moslem side," he said.

The Geneva talks represent the first time the main protagonists in the Bosnian conflict have held face-to-face negotiations for six months, although they held a meeting without dialogue in Athens in May. Yesterday's talks focused on maps outlining the future borders of the three ethnic ministates rather than on a constitutional framework, according to diplomats.

The meeting between the faction leaders took place in a room dominated by a huge map of Bosnia suspended on an easel. Mr Karadzic is said to have offered 26 per cent of Bosnia's territory to the Moslems, the largest ethnic group at 44 per cent of the pre-war population of 4.35m.

Mr Izetbegovic remains opposed to the plan to divide his republic on the grounds that it will lead to annexation of most of Bosnia by neighbouring Serbia and Croatia.

Diplomats said Mr Reginald Bartholomew, the special US envoy, was trying to persuade Mr Izetbegovic to accept a partition, while his Russian counterpart, Mr Vitaly Churkin, was asking the Serbs to make concessions to the Moslems.

A decision on the use of Nato airpower to protect UN troops in Bosnia will be made early next week, Mr Boutros Boutros Ghali, the UN secretary general, announced last night, writes Michael Littlejohns, UN correspondent, in New York.

"I hope everything will be ready on Monday or Tuesday," he said. Forward air controllers must first be in place to guide the attack aircraft. Britain, France and the Netherlands have promised to deploy the controllers and the first of the British contingent was said yesterday to be "in theatre".

Procedures for invoking the Security Council's resolution on possible air strikes against the Serbs had still not been worked out, Mr Boutros Ghali said. Peacekeeping staff yesterday discussed the Islamic Conference Organisation offer of additional troops for the UN force.

Israel fears it may have dealt Syria a joker in peace talks

THE RISKS of Israel's devastating aerial and artillery bombardment of southern Lebanon were becoming apparent yesterday as international criticism intensified and the Middle East peace process came under growing threat, while there was as yet no sign the pro-Iranian Hizbollah guerrillas had been neutralised.

There was also a mounting feeling in Israel that after US President Bill Clinton's praise of Syrian "restraint", President Hafez al-Assad's hand at future peace talks had been strengthened at Israel's expense.

Some Israelis fear that as a reward for that "restraint", Syria will persuade the US to increase pressure on Israel to make a commitment to withdraw from the Golan Heights, which it seized in 1967.

Julian Ozanne on Syrian 'restraint' and doubts over the success of Israeli objectives

Meanwhile, the shift of the bombardment to the western and central sectors of southern Lebanon yesterday further revealed the overt and covert objectives of the offensive.

The first, confirmed in parliament yesterday by Mr Yitzhak Rabin, the prime minister, is to drive southern Lebanese villagers northwards to put pressure on the governments of Lebanon and Syria to end the Hizbollah problem by denying the guerrillas arms supplies and financial assistance, which comes mainly from Iran.

Hizbollah is the only Lebanese militia that has been allowed to retain heavy weapons, on the basis that it is fighting a war of national liberation by seeking to push Israel out of the south of the country.

The second, undeclared, Israeli objective appears to be to extend the area of Lebanon it controls without having to commit ground troops, a move that would be unpopular with the Israeli public.

As villagers headed out of south Lebanon, military officials said privately that a broad strip of land, 3 to 6 miles north of the self-styled "security zone", would become, at least in the short term, a no-man's land and a second buffer zone where Israel could strike easily in the future. This would put Hizbollah's 122m Katyusha rockets, which have a maximum range of 17 miles, out of reach of settlements in northern Israel.

However, Hizbollah shows little signs of letting up in its harassment of Israel, and if Syria, which allows Iranian supplies to reach Hizbollah, does not move to curb the guerrillas, Israel could again be stuck in a war of attrition.

Even senior Israeli government officials admit that, far from actually pin-pointing Syria as responsible for the upsurge in conflict, the Israeli offensive may play into the hands of Damascus.

Mr Shimon Peres, the foreign minister, said Syria wanted to be the one seen as solving the crisis "to gain points with the Americans and to increase US pressure on Israel in the peace talks".

Mr David Levy, a senior Likud MP and former foreign minister, said yesterday: "Syria is now considered the moderate party. We failed here... We shouldn't help turn Syria into the key for a solution to whom we'll have to beg and to whom we'll have to pay a price."

Inside Israel the offensive remains widely popular, despite the muted opposition from the Meretz party, Mr Rabin's coalition partner. The blitz has also furthered Mr Rabin's policy of undermining the right-wing Likud, the party which traditionally prides itself on being toughest on Israel's enemies, real or imagined.

Much will depend on how Mr Warren Christopher, the US secretary of state, approaches the problems when he arrives in the region on Sunday and whether he can turn the crisis into an opportunity.

Israeli soldiers prepare shells for firing beside a 155mm mobile cannon. Artillery and aircraft have hit over 50 towns and villages north of the south Lebanon security zone in the last four days

Anger of South Lebanon pours into Beirut

By Mark Nicholson in Nabatiyeh, southern Lebanon

THE population of Nabatiyeh was roughly 60,000 last Saturday, making it one of the biggest towns in south Lebanon. Yesterday, it was anyone's guess how many people were still living behind the shuttered shop-fronts and closed doors. Some of the few people visible guessed that no more than 10,000 remained.

From the roof-top of Nabatiyeh's tallest building, only a handful of people could be spotted either in the streets or peering anxiously from windows.

A few cars raced through the deserted roads, swerving to avoid debris or treetop branches sliced by incoming shells. Every 15 seconds, after a thump audible from Israeli positions overlooking the town, and the chilling hiss of an incoming shell, another house would disappear behind a piercing crack and a cloud of dark smoke.

On the ground floor of the same building, a modern shopping and office block, the shutters of only one store remained open – Akil Brothers' children's clothes. Inside, on mattresses strewn among rails of bright children's T-shirts, 25 men, women and children were huddled, terrified to move.

"There's nothing here, no food, no petrol," said Abdel Jalil, a student. "There is only one shop but it has food for maybe one day." Mr Jalil said he and the others were too afraid to travel along the road out of Nabatiyeh to safety and, anyway, had neither vehicles nor anyone to stay with in Beirut. "We'll just stay here," he said with a shrug.

Others in the 70 villages around Nabatiyeh and Tyre, where Israeli jets and gunners concentrated their attacks yesterday did, however, continue south Lebanon's exodus – bringing to perhaps 200,000 the number of refugees to have descended on Beirut since Monday. More will have taken advantage of Israel's short ceasefire late yesterday to leave.

But for civilians with no way out the dangers will only increase. Not only is there scant food or water but any visible movement inside or outside their houses is likely to attract the attention of Israeli artillery spotters, who in yesterday's raids were pounding shells repeatedly and devastatingly into selected houses.

Israel has made it clear that those who do not heed warnings to leave certain villages, broadcast every 15 minutes on South Lebanon Radio, will suffer the consequences.

The United Nations Interim Force in Lebanon said it was trying to run relief agencies into the worst hit villages to rescue the marooned.

Israel has said those who do not heed warnings to leave villages, will suffer the consequences

But some villages are now hard or impossible to reach. The main road south from Nabatiyeh, an artery for 25 nearby villages, was deserted yesterday for fear of shelling. The road to Jibsheet, five kilometres from Nabatiyeh, was severed completely by a five-foot-deep crater.

For the thousands arriving in Beirut without friends or family to receive them, the Lebanese government has so far been able to offer little more than space. Schools and public buildings have been opened to the refugees. But these yesterday were often poorly equipped to cope.

Yesterday, and for the first time in a long time, this anger poured on to Beirut's tattered streets. Thousands of Hizbollah supporters marched in a sour and noisy demonstration through the city's centre chanting "Death to Israel and America," "No to peace with Israel."

South Lebanon's problems are now also those of Beirut.

Serb police break up farmers' protest

SERB police have broken up a three-day road blockade by farmers demanding higher grain prices in the rump Yugoslavia, a Serbian newspaper said yesterday, Reuter reports from Belgrade.

Tens of thousands of farmers in the northern Vojvodina province had blocked main roads with tractors and combine harvesters in their biggest protest in Serbia since President Slobodan Milosevic came to power in 1987.

The farmers were demanding that the government peg grain prices to the D-Mark to protect them from the country's inflation, currently running at 20 per cent a day.

Belgrade newspaper Borba said they were forced to lift the blockade "under pressure by the police" late on Tuesday.

But the blockade's organiser, Djordje Garabandic, said: "This has only increased our determination. We have only temporarily suspended the blockade." Among the roads blocked was the highway from Belgrade to Subotica on the Hungarian border, now the main route to western and northern Europe.

There were no reports of violence as police broke up the protest. It was the latest in a series of actions, also involving car, metal and construction workers protesting against declining living standards due to inflation.

Unions have called a general strike for August 5.

France unveils plans to spend 'Balladur bond'

By John Ridding and Alice Rawsthorn in Paris

THE FRENCH government yesterday unveiled plans to use the FFr70bn ($11.77bn) windfall from its successful "Balladur bond" issue to provide funds for business and to invest in regional schools and colleges.

The bond, designed to bridge the gap between current public expenditure and future revenues from the government's privatisation programme, raised about FFr110bn, almost three times the original target when the offer closed earlier this month.

Mr Nicolas Sarkozy, the government spokesman, said that the government had decided to use FFr35bn, half the surplus, to eliminate a one-month delay in the repayment of value added tax refunds to companies. This will represent a substantial boost to corporate cashflow without increasing the government's budget deficit, which is forecast to reach about FFr317bn this year.

The move is intended to ease companies' short-term financial pressures due to the French recession. Mr Sarkozy said that 97 per cent of French companies owed VAT refunds – about 2.4m companies – would be repaid in full this year.

According to Mr Sarkozy, a further FFr20bn of the bond surplus would be used to fund a jobs and investment package early next year. These funds will be incorporated in the government's 1994 budget plan, due to be completed in September.

As with the FFr40bn initially budgeted in the Balladur bond, these funds are expected to be used for public works and construction projects.

In the meantime the government plans to use FFr8bn of the surplus to provide subsidised loans to local government for the renovation of schools and colleges.

The education ministry said this initiative was also intended to help create jobs in the construction industry. Security measures will also be improved in French schools.

Local authorities will also receive an additional FFr7bn for youth training schemes. The French right was fiercely critical of the Socialist government's youth training programmes, but has expanded the schemes since taking power in the March elections.

The government also said it will raise 'return to school' payments to help low-income families.

Rao government survives no confidence motion

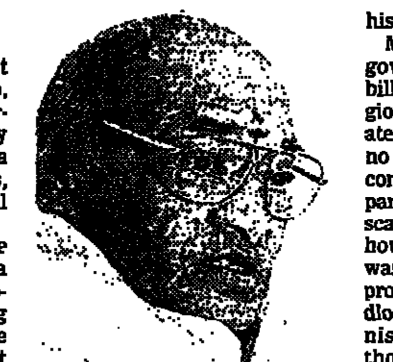
By Shiraz Sidhva in New Delhi

THE MINORITY government of Mr P V Narasimha Rao, India's prime minister, yesterday survived a parliamentary motion of no confidence by a narrow margin of 14 votes, after days of intense political horse-trading.

The motion, brought by the Communist Party of India (Marxist) on Monday, was supported by the Hindu right-wing Bharatiya Janata party, the National Front and Left Front parties. It was defeated by 265 votes to 251.

The opposition parties alleged that the Rao government had failed because of its "involvement" in the Bombay financial scandal, its inability to stop last December's destruction of a mosque at Ayodhya and the violence that followed, and failure on the economic front with a liberalisation programme which, they said, would leave the country's poor worse off.

A confident Mr Rao told parliament that he saw no difference from the two previous motions he had defeated in the last 25 months, and that identifying charges against him was "like looking for a few needles in a haystack."



Rao: accused of taking bribes

Mr Rao attacked the Communists for deriding his liberalisation programme when it asked for help in industrialising West Bengal, the one state where there was a left-wing government. He said Indian economic reforms had a "human face" which had not allowed thousands to lose their jobs, as they had in other countries.

Mr Manmohan Singh, the finance minister, said that the economic situation had considerably improved in the past two years, and that two years were too short a time to judge his reforms package.

Mr Rao announced that his government would introduce bills this session to de-link religion from politics, and to initiate electoral reforms. He made no mention of the charges of corruption against him and his party, or the Bombay financial scandal, but talked instead of how the ruling Congress party was committed to solving the problems of farmers and handloom weavers. The Communists said last night that though the Congress government had scraped through, it had "suffered a political and moral defeat by managing to cling on by resorting to a shameless use of money power and horse-trading."

The Opposition alleged that the ruling party had bought at least seven MPs of the Janata Dal faction headed by Mr Ajit Singh, which announced only on Tuesday that they would support the motion.

Chaos prevailed on the floor of the House as one of the MPs was charged by his colleagues of entering the house drunk, and another Congress (I) MP, who had been hurt last week when police quelled a violent demonstration in Calcutta, was brought in on a wheelchair.

Libel action declined by HK lawyers

By Simon Holberton in Hong Kong

THE integrity of Hong Kong's legal profession has been cast into doubt after nine of the colony's leading firms of solicitors declined to represent two elected Hong Kong politicians in a libel action.

Mr Martin Lee and Mr Szeto Wah, the two senior members of the United Democrats, a pro-democracy party, claim that Mr Simon Li, a former Appeal Court judge, defamed them recently when he alleged they promoted a run on mainland Chinese banks in response to the suppression of pro-democracy demonstrations in Beijing in mid-1989.

Ten days ago the two politicians said they would sue Mr Li for his remarks which they said were false. Mr Li is an "adviser" to Beijing on Hong Kong affairs and was recently appointed to a high-level Sino-Hong Kong committee.

Most of the firms have cited conflict of interest in declining to represent the two politicians because Mr Li sits on the board of a company for which they act. Some of the firms have threatened legal action if their identities are disclosed.

Thai politicians fight for seized assets

By William Barnes in Bangkok

TEN Thai politicians, whose assets were seized after a military coup in early 1991, filed suit against Mr Tarrin Nimmanahaeminda, finance minister, yesterday on charges of delaying the return of cash and securities worth Bt1.8bn ($66.9m).

The assets were confiscated after a clique of generals, who used abhorrence of official corruption as an excuse for the coup, found the politicians had become rich in government.

Mr Chuan Leekpai, Thailand's prime minister, said yesterday that the government would return the assets only if a court ordered it to do so.

Mr Chatichai Choonhavan, the former prime minister and now leader of the opposition, had Bt226.5m seized; Mr Subin Pinkhayan, the former commerce minister, had Bt608m taken away.

Critics of government corruption approved a Supreme Court ruling in April that the seizures were unconstitutional. They saw it as a sign that might was no longer right in Thai politics.

But the politicians are still chasing their assets, as the government's constitutional arbiter, the juridical council, ruled that the wealth was government property.

The finance ministry – which holds the assets – has said it has no authority to release any money.

Mr Abhisit Vejjajiva, a government spokesman, said: "This is not a question of politics or policy – we are just following the law."

Hyundai threatens lock-out of workers

TWO Hyundai companies threatened to lock out workers unless their unions reduced their pay demands as South Korea's biggest conglomerate enters its 55th day of industrial action today, writes John Burton in Seoul.

The government also dispatched more riot police to Ulsan, the south-eastern city and the main manufacturing base of Hyundai, in possible preparation to end the strikes affecting six Hyundai companies. Meanwhile, workers at Hyundai Precision & Industry, the first Hyundai company to stage industrial action in early June, voted to approve a wage settlement by a wide margin.

The two companies threatened with lock-outs are Hyundai Heavy Industries, the shipbuilding unit and the biggest group subsidiary on strike, and Hyundai Construction Equipment. Hyundai Wood Industries became the first Hyundai company to face a lock-out on Tuesday.

Workers at the Hyundai companies are seeking pay raises higher than that offered by management and the reinstatement of fired union leaders at several plants.

Other companies on strike are Hyundai Mipo Dockyard and Korea Flange.

NEWS IN BRIEF

China clamps down on unauthorised trading

Chinese authorities in Chengdu city are clamping down on unauthorised share trading, the official Xinhua news agency said, **Reuter reports from Beijing.** It said 42 companies in the city had issued stock certificates without approval from regulatory authorities and a lively secondary market had developed.

"It gave rise to a spontaneous market for trading shares, which in a way affected the normal progress in the experiment (of opening stock markets)," the agency said. The authorities have registered all the outstanding shares and ordered the companies that issued them to turn them into non-tradable and non-negotiable "stock right holding cards." After the move, speculators in the free market began to disappear, the agency said.

US worried over N Korea missiles

Concern over North Korea's weapons capability grew yesterday with the disclosure by Mr James Woolsey, director of the US Central Intelligence Agency, that Pyongyang had recently tested a missile with a range which could reach Japan, **Our Foreign Staff writes.**

Mr Woolsey told a congressional hearing that the missile, with a range of about 600 miles, was capable of carrying nuclear, chemical or biological payloads.

"With this missile North Korea could reach Japan; Iran could reach Israel; and Libya could reach US bases and allied capitals in the Mediterranean region," he said.

Danish unemployment at record

The Danish Bureau of Statistics yesterday published figures showing unemployment reaching a record level, **writes Hilary Barnes in Copenhagen.** Seasonally-adjusted unemployment reached 12.3 per cent in June, up from 12.2 per cent in May and 11 per cent in June last year. High short-term interest rates, imposed to counter speculative attacks on the krone, have stifled economic recovery and depressed industrial output, exports and imports.

Romania loan tranche withheld

The World Bank yesterday said it was withholding the final $150m of a $400m structural adjustment loan for Romania because of the country's poor economic performance, **Reuter reports from Bucharest.** The International Monetary Fund (IMF) has imposed delays on its lending to Romania for similar reasons.

Last week the government's negotiations with the IMF stumbled when an IMF team left Bucharest without reaching a new standby credit agreement with Romania for 1993.

Turkish troops kill 13 Kurdish rebels

Turkish troops were yesterday reported to have killed 13 more rebel Kurds in a conflict which has claimed 737 lives in nine weeks, **Reuter reports from Tatvan.**

This month alone the death toll in eastern and south-eastern provinces has climbed to 314, including 138 Kurdish militants, 82 members of the security forces and 94 civilians.

Mr Ismet Metin, governor of Agri province, said troops backed by aircraft had killed 13 Kurdistan Workers' party fighters on Mount Tenduruk during a three-day hunt for rebels.

Nigeria parties bid to end deadlock

Nigeria's two parties yesterday presented a plan for an interim government to the electoral commission in a bid to end the country's political crisis, **Reuter reports from Lagos.**

The resolution, signed by the national chairmen of both parties, was submitted to the electoral commission at a meeting with the two parties in the capital, Abuja.

All three sides said in a joint communiqué that the plan, details of which were unavailable, would be passed to the government for consideration.

Clinton in final budget blitz

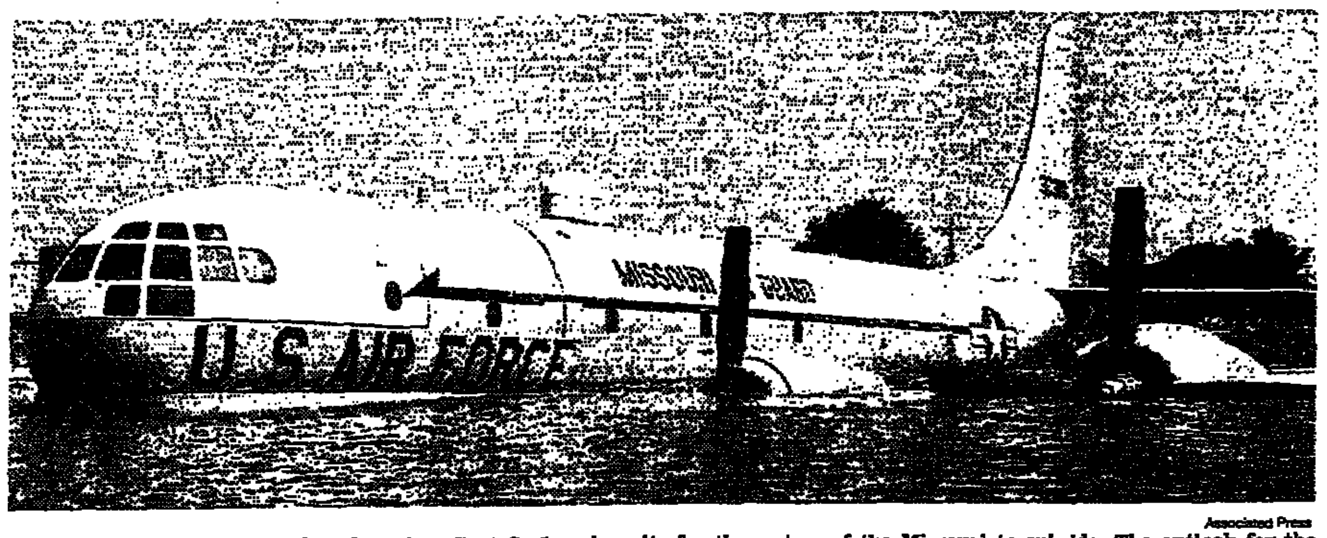
By George Graham in Washington

PRESIDENT Bill Clinton has begun a last-ditch lobbying effort to win support for his endangered budget package with a blitz of briefings and lunches for businessmen and journalists from key states.

Special White House events have targeted Georgia, home of Senator Sam Nunn, one of the handful of Democrats who deserted the president on the budget's initial passage in the Senate. Also singled out is Texas, home of Congressman Charles Stenholm, leader of a rebellious bloc in the House of Representatives which is fighting the inclusion of an energy tax.

Mr Clinton yesterday paraded 60 top business leaders who have signed up in support of his budget plan. They include Mr Lodwrick Cook, head of the Arco oil group, Mr Paul Allaire, chief executive of Xerox, Mr Dwayne Andreas, head of Archer Daniels Midland, Mr Rand Araskog, chairman of ITT, Mr Curtis Barnette, chief executive of Bethlehem Steel, and Mr Deryck Maughan, chief executive of Salomon Brothers.

But for all the White House's efforts to portray the budget as a desperately needed change in direction, Congress has already tinkered with it so much that it has moved back heavily towards the status quo.


Associated Press

An inundated National Guard tanker aircraft at St Joseph waits for the waters of the Missouri to subside. The outlook for the flooded Midwest is improving, with dry weather and federal disaster money both forecast in the next few days, writes George Graham in Washington. The National Weather Service said there were signs the unusual rainfall pattern was breaking up. Congress is expected to complete a relief bill quickly, after the House of Representatives swept aside complaints of mostly Republican budget conservatives. President Bill Clinton has asked the Senate to increase by $1.1bn the $2.98bn approved by the House.

Mr Clinton could never quite steel himself to cut some of the most obviously extravagant programmes, such as the space station or the super-conducting supercollider. But even some of the wholly outdated subsidy programmes, whose elimination took on symbolic importance in his election campaign last year, have come back from the dead.

The single most specific spending cut in his economic programme was the ending of the subsidy for honey producers, which is expected to cost around $30m next year. Yet the Senate this week voted only to reduce the subsidy, which is supposed to ensure that the US has enough bees to pollinate valuable crops.

Also, after taking a courageous stand on ending subsidies to preserve strategic supplies of mohair on Monday, the Senate changed its mind on Tuesday and voted to preserve the programme, which costs around $48m a year.

These small changes add up to more than small change, and have made it much harder for budget negotiators to come up with a deal that still meets Mr Clinton's objective of cutting the federal budget deficit by $500bn from its projected path over the next five years.

Mr Leon Panetta, the budget director, has been left wringing his hands and insisting that some form of energy tax – the most hotly contested element of the package – is essential in order to achieve $500bn of deficit reduction.

Efforts are under way to craft some form of executive order that would cap future spending on entitlements such as pension and medical benefits, which could be enough to buy off the opposition of Democratic budget hawks.

Nevertheless, administration officials and congressional leaders insist that they will reach agreement on a compromise budget in time for it to be voted through before the summer recess, scheduled for August 6.

Three-month decline reversed

Durable goods orders rise sharply in US

By George Graham in Washington

ORDERS for durable goods climbed sharply last month in the US, providing some underpinning for more optimistic assessments of the economic recovery.

The Commerce Department said new orders for durable goods rose by 3.8 per cent between May and June, reversing three months of decline.

Although the sharp rise was heavily dependent on a 42 per cent surge in aircraft orders, a particularly volatile segment of the statistics, cars and electronic components also rose.

Transport sector orders rose by 15.1 per cent, the department said, while orders for electronics and electrical equipment went up by 3.3 per cent.

Primary metals orders increased more modestly, and orders for industrial machinery and equipment fell by 1 per cent.

Shipments, however, showed a more evenly spread increase of 2.3 per cent from May to June, with transport equipment up 4.8 per cent, primary metals up 3.5 per cent, and electronics and electrical equipment up 3.3 per cent.

Although figures for earlier months were revised downward, making yesterday's month-on-month increase appear larger, economists noted that durable goods orders were still 6 per cent higher in June than they had been a year earlier, and orders for the first six months of the year were almost 8 per cent higher than in the same period of 1992.

With government spending severely constrained and consumer confidence still shaky, capital investment has been among the principal motors of the stolid US economic recovery.

The 10.9 per cent rise in capital goods orders last month largely reflected new aircraft orders, but even if aircraft and parts are excluded, capital goods orders still rose 0.7 per cent in June.

Mozer's plea pact ruled still valid

By Patrick Harverson in New York

A US JUDGE ruled yesterday that a plea agreement between government prosecutors and Mr Paul Mozer, the former Salomon Brothers trader at the centre of the 1991 Treasury auction scandal, was still valid.

The agreement had been rejected by another judge in January after Mr Mozer's lawyers had clashed with prosecutors over their interpretation of the wording of the document.

Under the terms of the agreement Mr Mozer pleaded guilty to two felony counts of making false statements to US officials about fake bids he had submitted at a February 1991 auction of Treasury notes.

Mr Stanley Arkin, Mr Mozer's lawyer, argued in January that as far as he was concerned the plea ensured that the government could not bring additional criminal charges against his client on possible violations of anti-trust laws.

Federal prosecutors, however, disagreed, and insisted that the plea still left open the possibility of anti-trust charges.

On January 11, Judge Robert Patterson decided that the serious nature of the disagreement between the two sides meant that he could not accept Mr Mozer's guilty plea. Yesterday, however, Judge Pierre Laval ruled that the federal prosecutors could not back out of the original agreement.

The ruling improves Mr Mozer's chances of escaping a jail sentence. If the judge had ruled the plea invalid, Mr Mozer would have faced the four criminal charges, including fraud, that were filed by prosecutors after the plea agreement collapsed. If found guilty, he could have faced a long jail term.

Mr Arkin said yesterday the decision meant the four criminal charges were now "null and void".

NBC pays record sum for Olympics

By Barbara Harrison in Atlanta

NBC, the US television network, has agreed to pay a record $456m for US broadcast rights to the 1996 summer Olympics in Atlanta, despite losing $100m on the games in Barcelona. It beat bids of about $450m from ABC, regarded as the front-runner, and $415m from CBS.

Mr Billy Payne, chief of the Atlanta committee for the Olympic Games, had hoped for more but said he was "doggone happy" with the NBC bid.

The audience is expected to be the largest in Olympic history. Mr Dick Ebersol, president of NBC Sports, said he expected to make a profit and was confident enough to offer the International Olympic Committee and the Atlanta one a share of revenues if advertising sales exceeded $615m.

NBC's bid did not include a cable partner. Turner Broadcasting System, based in Atlanta, declined to put up any money for the rights fee.

The European broadcasting rights were sold earlier this year for $250m to the European Broadcasting Union.

Delays cast doubt on Brazilian sell-offs

By Christina Lamb in Rio de Janeiro

DOUBTS are growing among Brazilian investors over the authenticity of President Itamar Franco's conversion to the privatisation cause in the face of a series of delays, including the postponement of two sales this week.

All of Brazil's four finance ministers during the 10-month-old Franco government have cited acceleration of privatisation as a crucial policy.

Mr Franco, a former opponent of privatisation, moved to back the policy after realising that supporting the state sector was draining $10bn (£6.7bn) a year from the Treasury.

Yet the reality is that while much of Latin America is speeding ahead with bold programmes, Brazil's plans have been grinding to a halt.

Only two companies have been sold this year and eight sales have been postponed, leaving more than 120 companies in state hands. Mr Franco has transferred the power of final approval over minimum price to the Senate, which is expected to add to the delays.

No important companies have been put on the "for sale" list, despite consensus that selling off some of the big parastatals such as Vale do Rio Doce, the state mining company, would help to plug the fiscal deficit.

One of the main reasons for the slowdown is division within the Franco team. Some ministers, such as Mr Paulino Cicero, the energy minister, while resigned to privatisation as a whole, object to the sale of specific companies.

Mr Daniel Dantas, director of Banco Icatu, said: "I think Itamar realises he has no alternative to privatisation but wants the process to be too perfect. He wants to do it in such a way that nice buyers come who pay the government a lot of money and make no lay-offs."

Five working groups are studying new measures to speed up the process, make it more lucrative and protect against the creation of private monopolies after privatisation. Direct sales or share offers through Banco do Brasil may replace the current auction method.

Further changes may result from recent congressional approval of legislation allowing private sector concessions to run public services and a lower house vote to lift the 40 per cent limit on foreign ownership.

Some analysts suspect the studies to be deliberate delaying tactics. However, Mr Igor Cornelsen, director of Chartered West LB in São Paulo, said: "I think they want to privatise but they don't know how to and they don't trust investment bankers to tell them how."

The new rules are expected to be announced in September. In the meantime the delays are not only allowing anti-privatisation lobbies to muster forces, but are also costing the government money.

The sale of the Cosipa steel mill has just been delayed to August 11 at the earliest. The mill is costing the government $1m a day in debt interest.

The sale of the PQU petrochemicals company was also postponed this week.

US trade watchdog displays its mettle over steel

By dismissing 'unfair' complaints the ITC has sent a clear signal that it is not a puppet of Washington political lobbies, writes Nancy Dunne

IF SPIRITS were low in Pittsburgh, Pennsylvania – the heartland of "Big Steel" in the US – after the International Trade Commission this week threw out 40 of 72 "unfair" trade complaints on steel, the reaction in Pittsburgh, California, was profound relief.

"I'm thrilled that the ITC voted for free trade and American jobs," said Mr Bill Baker, the California district's congressman, who had warned that a tariff on hot-rolled steel from Korea would have "killed" the state-of-the-art USS-POSCO steel finishing plant there, built as a joint venture between US Steel and the South Korean group Pohang Steel.

The ITC decision to overturn so many provisional dumping and countervailing duties came as a shock to many. It sent important signals to US steelmakers that they cannot expect protection as they struggle to compete with new technologies and depressed international demand. Tumbling share prices were an eloquent measure of public reaction.

It also sent important signals to foreign governments that the ITC is not a puppet of Washington's political lobbies. At a time when the fairness of the US anti-dumping regime is being questioned, it showed the law can and does work more objectively than many like to believe.

Mr Baker's joy at the negative injury finding on the Korean product was shared by many US steel users who feared the duties would damage their international competitiveness.

The country's integrated steelmakers took a dimmer view. Of the 7.8m tonnes of flat-rolled steel covered by the steel industry's original complaints – which were upheld by the Commerce Department in January this year, triggering the imposition of provisional duties – just 3.4m tonnes will now be subject to duties ranging up to 109 per cent.

"It's hard to judge the results as you would a ball game," said Mr Jon Jenson, spokesman for the Coalition of American Businesses for Stable Steel Supplies, which represents steel users.

The losing users would either have to pay high tariffs on their imports and find themselves uncompetitive internationally or find a domestic source of less satisfactory domestic supplies, Mr Jenson said.

The 12 US steelmakers who filed their allegations of dumping and unfair subsidies last year, after the collapse of international negotiations aimed at a Multilateral Steel Agreement, were glum yesterday. They have poured millions of dollars into legal fees on the cases, and are now considering spending millions more.

They might appeal against the ITC decision to the Court of International Trade, or bring new cases in the coming months, a spokesmen said.

But it was more than steel imports that were on trial on Tuesday when the ITC commissioners each cast 72 votes, product by product, on whether dumped or subsidised imports were injuring the domestic industry. It was the commission itself on trial, before a world trading community which – misunderstanding the complexities of the US "unfair trade" regime – generally suspects its findings may be politically "fixed" by the administration.

Although many trade lawyers believe the laws are biased towards the domestic industry, the ITC was designed to screen out politics. No more than three of the six commissioners can be of one party: terms are for nine years, and a commissioner cannot serve a second full term.

The commissioners cannot discuss their votes among themselves, and hear each other's votes for the first time when the public does.

Mrs Paula Stern, a former ITC chairwoman, was unsurprised by Tuesday's vote. "The cynicism about the independence of the commission is grossly unfair," she said.

During the vote on Tuesday Mr David Rohr, a Democratic commissioner, addressed accusations that politics played a role in the ITC's finding. "Though there may be differing political persuasions among commissioners, that has no bearing on today's result," he said.

One by one the commissioners described sifting through mountains of evidence – 25,000 pages of questionnaire responses, and 61 volumes of briefs – and the factors they had to assess in reaching their decisions.

Ms Janet Nuzum, a Democratic commissioner, said: "The fact that different commissioners have decided differently in particular products or particular countries is a reflection of the variety of factors we must consider, the extensiveness of the evidence, and the complexity of the record."

Ms Carol Crawford, a Republican commissioner, caught the mood of most when she said she believed a small amount of imports were "unlikely to have an adverse effect on the domestic industry's market share price or revenues". But where the import penetration was significant, she voted for injury.

The way is now clear for negotiation of a Multilateral Steel Agreement, where, according to Mrs Stern, "negotiators had their hands tied because they had the dumping cases pending". Still, she warned, the MSA "must not be seen as nirvana" because it will deal only with steel subsidies, and thus dumping, in the future.

"We still have a raging debate in the Uruguay Round on how the dumping laws should operate," she said, adding that the US anti-dumping regime still failed to recognise the needs of steel users whose exports must compete abroad.

Intracom's Russian gamble pays off

By Kerin Hope in Athens

IN THE two years since Intracom, the Greek telecoms and information systems manufacturer, set up automated "lotto" games in Russia, its blue and yellow kiosks have sprung up in more than 130 Russian cities.

Olympic Lottery, a $15m (£10m) joint venture with the Russian Olympic Committee, was the first in a series of deals with state-controlled lottery and sports organisations through which Intracom aims to position itself as a telecoms supplier to eastern Europe.

Next month the Romanian state lottery system will launch a lotto game designed and installed by Intracom, and by the end of the year similar games should be operating in Bulgaria, Ukraine and Moldova. Kazakhstan will follow in 1994.

Mr Constantinos Antonopoulos of Intralot, the lottery subsidiary of Intracom, said: "We have to take a flexible approach to this market because we can't compete with the international telecoms companies on large government contracts. But we have other projects [from rural telephone networks to information systems for banks] where negotiations are well advanced. In the meantime, we're traders as well."

Intracom, in which Ericsson of Sweden holds a minority stake, sets its initial investment in eastern Europe and the former Soviet Union at $70m. The joint ventures should start to show a profit within two years.

Intralot spends part of its rouble income on consumer goods – from cosmetics to disposable razors – which are sold at the kiosks where lotto players hand in their coupons.

The joint venture has also become a distributor for Reynolds of the US, selling cigarettes through its 3,000 outlets.

Intracom based the "Lotto Million" game on games developed for the Greek and Cypriot state lottery and football pool systems. With a first prize of Rbs140m the weekly draw, shown on television, is one of Russia's top programmes.

Sutherland injects new urgency into Gatt talks

By Frances Williams in Geneva

THE director-general of the General Agreement on Tariffs and Trade, Mr Peter Sutherland, called yesterday for greater urgency in negotiations on concluding the Uruguay Round of trade liberalisation talks by December 15.

Addressing the top-level trade negotiations committee, he said the work done in the past two weeks on opening markets for goods and services had been useful. But he urged countries to come forward quickly with more concessions. Mr Sutherland later told reporters: "On balance I am more optimistic [than two weeks ago] but there are serious risks to the Round."

The global trade talks in Geneva restarted earlier this month after the US, the EC, Japan and Canada agreed a deal to reduce or eliminate tariffs on 18 categories of goods. However, the latest talks have underscored the gaps in that accord and the problems caused by interlinking different elements of the package.

Many developing countries complained yesterday that the principle of more favourable treatment for poorer nations was being disregarded, and made clear that market access concessions from them on goods and services would depend on offers from industrialised nations on commodities, agricultural goods and textiles.

A number of countries, both rich and poor, are also tying tariff cuts and market-opening measures for services to changes in the Uruguay Round draft rules package, especially on agriculture and textiles.

Mr Sutherland called on countries to break the logjam by making conditional offers, and said he would be holding consultations on how best to uphold the objective of more favourable treatment for developing nations. Warning of the "vast amount" of work needed before the rules could be finalised, he urged countries "to exercise maximum self-restraint" in proposing changes to the draft text, drawn up in December 1991.

The TNC has agreed a tight negotiating schedule in its drive to achieve "substantial and concrete progress" in the market access talks by mid-October. The negotiating group on goods will meet on October 15 for "stocktaking", aimed at completing detailed draft tariff schedules a month later.

Revised services offers have been requested by September 1, paving the way for intensive negotiations on liberalisation commitments.

Mr Sutherland plans immediate consultations on technical aspects of the rules package, including dispute settlement and the proposed Multilateral Trade Organisation.

THE SUTHERLAND AGENDA

August: countries prepare market access offers.
Aug 31: next Trade Negotiating Council meeting.
Sept 1: submission of revised offers on bringing service industries under Gatt rules.
End-Sept: TNC session.
Oct 15: "substantive stock-taking meeting" of the Uruguay Round's Negotiating Group on Goods.
Nov 15: submission of agreed changes to tariff schedules.
Dec 15: deadline for Uruguay Round agreement.

Ruling against US steelmakers draws a mixed response

EC sees opening for new regime

By Our Foreign Staff

THE CASE for a new Multilateral Steel Arrangement has been strengthened by the US International Trade Commission's largely favourable ruling this week against big US steelmakers, EC officials said yesterday.

Relieved that the ITC had discarded many of the complaints against foreign imports, the European Commission said it was time to reach agreement on a new regime which prohibited state subsidies, eliminated tariff and non-tariff barriers, and included a "disputes mechanism".

Officials suggested the US had been delaying support for an MSA agreement until the outcome of the ITC case.

In 1991, EC steelmakers exported about 4m tonnes to the US. The US Commerce Department imposed preliminary countervailing duties on about 1.9m tonnes earlier this year; the ITC ruling reduces the total subject to duties by 50 per cent.

The EC officials said a key factor was that the ITC ruling removed many prohibitive duties, making an improvement in US market access more likely. Thus, German exports of corrosion-resistant steel remained subject to duties, but only at a level of about 5 per cent which was not necessarily a deterrent to selling in the US.

□ Mr Günter Rexrodt, Germany's economics minister, and the German Steel Federation yesterday joined forces to denounce the ITC's ruling as discriminatory.

The ruling would impose anti-dumping duties of between 5.47 and 50.17 per cent on corrosion-resistant products, cut-to length plates and cold rolled plates, Mr Rexrodt said. Officials at the economics ministry said it was felt the ruling affected German companies more severely than steelmakers in other countries.

□ France gave a qualified welcome to the decision, with Mr Gerard Longuet, minister for industry, post and telecommunications, saying it represented a "three-quarters victory" in an issue which had "poisoned relations between the US and the EC".

To the extent that a "disastrous" outcome had been avoided, the ruling would have a positive effect on the Uruguay Round of world trade talks in Geneva, he added.

However, Usinor Sacilor, the French state-owned steel producer, protested against the anti-dumping and anti-subsidy duties upheld on corrosion-resistant products.

□ Canadian steelmakers backed the ruling. They will be refunded several hundred million dollars from provisional duties but await ITC confirmation of a 28 per cent tariff on galvanised steel exports and 68.7 per cent on heavy plate exports.

THE Japanese steel industry was disappointed by the decision to uphold a dumping charge against corrosion-resistant steel sheet, writes Michiyo Nakamoto in Tokyo.

"The decision is difficult to understand," the Japan Iron and Steel Federation said. The industry has focused on exporting high-quality products to the US and has maintained prices at levels generally higher than those set by US mills. It has also attempted to keep export volumes at levels appropriate to meet US demand.

The federation warned that the ITC's ruling risked damaging the international competitiveness of US steel users as well as prospects for a new Multilateral Steel Agreement. Talks on an MSA are set to resume in Geneva in autumn.

Japanese steelmakers face duties of 40.19 per cent on corrosion-resistant sheet, which accounted for less than 4 per cent of steel exports to the US last year. Manufacturers said they planned to increase production at their US joint venture mills to minimise the impact.

Industry officials said the decision could affect the relationship between US and Japanese steel companies, which have invested heavily in American steel mills, entered into joint ventures and provided technology in an effort to shift to higher value added exports.

● Economic optimism aids auction ● Bundesbank cut may ease UK policy

Government gilts sale raises £3.25bn

By Peter John

THE British government successfully raised £3.25bn at its latest gilts auction yesterday as conviction that interest rates need to fall further and inflation will remain low attracted strong demand.

The amount raised, through offering 7 per cent stock maturing in 2001, matched the record sum achieved only four weeks ago and takes the government half way through its borrowing programme only four months into the financial year.

The cover – the ratio of bids to offers – at the Bank of England's auction was 2.29, confounding the pessimists who had expected a cover between only one and two times.

More significantly, bidding was so tight that there was no difference between the average accepted price of 97.06, giving a yield of 7.46 per cent, and the lowest accepted bid price.

Mr Roger Bootle, economist with Midland Global Markets, said: "The auction went incredibly well. There was a worry that it could be a flop because the maturity was a bit odd but the CBI survey and the news from Europe could not have come at a better time."

Underlying gilt prices jumped sharply with stock comparable to the auction issue, rising ¾ point. In the more liquid futures market, the 10-year contract for September delivery shot up more than a percentage point before investors started to take profits.

Market analysts had been worried beforehand about whether there would be sufficient demand because of the seemingly strange choice of maturity.

Stock expiring in eight years does not have a natural investor target as UK banks and building societies prefer gilts expiring in three years while overseas buyers favour 10-year maturities which fit well with their own 10-year benchmark bonds.

UK pension funds favour very long-dated maturities such as the 2017 stock to match their liabilities.

The CBI quarterly regional survey, published on Tuesday, called for a further cut in base rates to kick-start an economy which is still bumping along the bottom.

The appeal by the employers' organisation received further impetus from the recent turmoil within the European exchange rate mechanism, which has prompted growing conviction that continental rates have to fall further if the ERM is to survive and are bound to be cut if the ERM crumbles.

News that the Bundesbank eased its repurchase agreement rate, paving way for probable cut in its official discount rate today, also helped the auction.

Whatever happens it will be easier for Mr Kenneth Clarke, chancellor of the exchequer, to ease UK monetary policy. Also, the CBI reported that there were still more jobs to go in the manufacturing industry and a rise in unemployment removes the inflationary pressure of higher wages and benefits longer dated gilts which respond to low inflation.

The last £3.25bn auction, a month ago, was covered only 1.1 times, after the market's appetite was dulled by a strong rise in gilt prices and several small taps.

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Independent publishers to meet as sales slump

By Raymond Snoddy

THE BOARD of Newspaper Publishing, publisher of The Independent and the Independent on Sunday, meets today amid a growing sense of crisis over falling sales and financial uncertainty.

Mr Andreas Whittam Smith, the founder of The Independent, will offer his resignation as chief executive to concentrate on developing the papers and his role as editor.

There is also likely to be a debate over a controversial business plan which will be submitted to the meeting.

The plan suggests raising a great deal less money than was widely expected – £1.5m for the daily paper and £1.5m for the Sunday.

This will have to pay for the introduction of colour printing, the launching of new sections and promotion of the titles. There are fears that the sum may be inadequate to meet the intensified competition expected in the autumn from The Times and from a re-launched Observer, now owned by The Guardian.

The two main shareholders of Newspaper Publishing, El Pais of Spain and La Repubblica of Italy, who own 18 per cent each, have made it clear they are prepared to invest substantial sums and take their stakes up to 25 per cent each through a rights issue. They are likely to be unhappy about what is being planned.

The £3m proposed in the new business plan could be largely raised through borrowings and cost cutting, thus leaving the present shareholding structure intact. This would leave control still in the hands of Mr Whittam Smith.

Although sales of general broadsheet newspapers have been falling over the past few months the Newspaper Publishing titles have been particularly badly hit and their circulations have dropped month after month.

Between March and June the circulation of The Independent fell from 354,178 to 338,823. In April 1992 the circulation stood at 389,523.

The Independent on Sunday, which in October 1992 had a circulation of 425,803, had dropped to 387,511 in March and 376,859 by June.

A number of senior staff believe urgent action is needed to avoid a growing crisis and question whether £3m is enough to turn round the the newspaper.

Police chief says planned reforms could be diluted

By Alan Pike,
Social Affairs Correspondent

SIGNS of government compromise over controversial police reforms emerged yesterday when Mr Paul Condon, the Metropolitan Police commissioner, said he was "confident" some of the recommendations of the Sheehy report would not be implemented.

Mr Condon, Britain's most senior police officer, said he expected consultations over the next two months to produce a package of changes on pay and conditions which would be in the public interest and fair to police officers.

The comments of the commissioner, who has frequent contact with Mr Michael Howard, home secretary, reflect a growing feeling among police chiefs that the government will be prepared to dilute or abandon some of the more far-reaching aspects of the Sheehy report.

The report, drawn up by Sir Patrick Sheehy, chairman of BAT Industries, recommends fixed-term contracts, performance-related pay, the abolition of three ranks and changes to starting rates, overtime and pension arrangements.

Mr Condon, speaking at the publication of the Metropolitan Police annual report, said the police service had to be modernised, and he believed it was already at the forefront of change in the public sector. Much of the analysis by Sir Patrick and his committee was good. But the report's recommendations for constables and sergeants were flawed and not in the public interest.

He identified recommendations for short-term contracts, a £2,000 a year reduction in starting salaries and pension changes as proposals that would undermine rank-and-file officers.

The police service, Mr Condon said, faced an unsettling time and he did not want it to spend the next two years worrying about pay and conditions. "The sooner we can get settled down with a sensible package the better."

Mr Howard, who is holding talks on the Sheehy proposals until September, is almost certain to press ahead with fixed-term contracts for senior officers. But chief constables argue that the committee's proposal to put all ranks on 10-year contracts, subsequently renewed every five years, could discourage high-quality recruits from joining the police.

Many senior officers are reconciled to the introduction of performance-related pay, but regard the Sheehy report's proposed approach as too mechanistic.

Paul Condon yesterday: parts of reform plan are 'flawed'

Graduates told – Brussels needs you

By Alison Smith

DO YOU know who wrote the Maigret novels? Which rock star died of Aids in 1991? How many people live in the European Community?

If you answered correctly, are a graduate and a British national under 35, the UK government needs you to work at the European Commission.

The government is launching a campaign to export administrators to Brussels. In an unlikely alliance, both Britain and the Commission have agreed there should be a greater UK representation among the Eurocrats.

At present, the UK holds about 11 per cent of administrative jobs at the Commission, some three or four per cent less than Britain should have, on the basis of its population.

The initiative is aimed at familiarising British candidates with the selection procedure, and emphasising the attractions of working for the Commission – such as the starting salary of £31,000.

Officials insist the tortured debate over Maastricht has, if anything, drummed up interest in Europe, and emphasise there is no test to weed out Euro-sceptics.

Two thousand British candidates applied last year, but the UK now has just 16 candidates in the EC-wide pool of 250 waiting for a specific posting. France has almost one-fifth of the successful candidates, but it is Italy, with 64, which is poised to dominate.

German recycling crisis prompts concern in UK

Bronwen Maddox on the future for waste projects

THE spectre over the government's new packaging recycling moves, announced this week, is a similar German scheme launched two years ago.

Mr John Elkington, director of Sustainability, an independent environmental consultancy, says: "A few years ago I would have welcomed this move wholeheartedly. In the wake of the [German] experience I am concerned that the simple setting of ambitious targets is only a small part of what needs to be done."

The crisis in the German waste recycling scheme, the Duales System Deutschland (DSD), came to a head last month when it tottered on the edge of bankruptcy before being propped up at the last minute by industry funds.

Even so, a mountain of waste – particularly plastics – is still threatening to overwhelm German towns. The country's recycling capacity has not kept pace with people's taste for filling the scheme's yellow sacks with carefully sorted rubbish, while demand for recycled material has been much less than expected.

The effects are spilling over into other countries. Mr Cameron Mclatchie, chairman of British Polythene Industries, one of Europe's leading makers of polythene film, says this year the price of imported black film to cover silages had dropped "through the floor" to around £60 per tonne – about half the cost to him of collecting it from farms for recycling.

Ms Jane Bickerstaffe, technical director of the Industry Council for Packaging and the Environment (INCPEN), adds: "Several recycling firms have gone out of business in this country in the past six months because German waste is offered here." Without those "repercussions" from Germany, the packaging industry "could certainly achieve 50 per cent recycling by the year 2000".

Mr Peter Hindle, an associate director of environmental at Procter & Gamble, is also concerned at rising costs.P&G's use of recycled plastic for detergent bottles "currently does add to costs", and was no longer a competitive advantage as "everyone's doing it". Consumers were now interested in refillable bottles and other measures that reduced the amount of packaging, he adds.

Some industrialists and environmental consultants have also questioned whether the proposals could, ironically, be damaging to the environment because of the extra transport needed to collect the rubbish, and the energy used in recycling it into usable material.

Mr Mclatchie claims that, when it comes to household waste, "after you wash it and transport it, the cost of getting it back in environmental terms is greater than any benefit. And do you actually see the British consumer washing up used frozen pea bags?"

Britain in brief

Tory party braced for election loss

Britain's ruling Conservative party is bracing itself for a parliamentary by-election defeat today in the coastal town of Christchurch, where supporters are expected to desert the government in favour of the centrist Liberal Democrats following weeks of political turmoil dominated by the row over the Maastricht treaty.

Party workers, however, claimed that a significant proportion of voters canvassed were still wavering, and the size of the expected anti-Tory swing remained uncertain.

Sir Norman Fowler, chairman of the Conservative Party, insisted that the recent signs of economic recovery should persuade voters to remain loyal.

Unwilling to predict a landslide victory, Mrs Diana Maddoc, the Liberal Democrat candidate, said: "I believe that it is not as good as everyone says. When people get into the ballot boxes they do not always do what people were telling you – I have seen it slip away before."

Wave of US investors 'likely'

A large US bank is expected to lead a fresh wave of US inward investment projects in the UK which together could create more than 2,000 jobs, according to Mr David Hunt, secretary of state for employment.

Mr Hunt, who is touring the US looking at training schemes and talking to companies about UK investment, said Britain's "opt-out" from the Social Chapter of the Maastricht Treaty was contributing to "record" investment from US companies.

He said that three out of 10 companies he has visited have definitely decided to invest in Britain, including the US bank which will be creating about 1,000 jobs in the London area.

Date set for gas report

The conclusions of the Monopolies and Mergers Commission reports on the gas industry will be published on August 17, the government announced. The commission could recommend breaking up British Gas as a way of encouraging competition in the market for household supply or it could opt for the status quo.

Christies sales rise by 16%

Sales at Christies International, the fine art auctioneer, rose by 16 per cent, to £683m, in the 1992-93 season which ends this month. But in dollar terms (major works of art are valued in dollars) the gain on the year was just 1 per cent, to $1.06bn.

The US is leading the art market out of the recession: sales in New York were up 28 per cent.

Court decision on Maastricht

The result of Lord Rees-Mogg's High Court bid to block ratification of the Maastricht Treaty will be known tomorrow. Whatever the decision, the case, which Lord Rees-Mogg has described as the "the most important constitutional case for 300 years", is expected to go to the Court of Appeal. The government has undertaken not to proceed with ratification until the court case has finished.

Joint venture for UK lottery

Carlton Communications and Associated Newspapers, publishers of the Daily Mail and the Mail on Sunday, are about to join the Granada-led consortium planning to bid for the licence to operate the UK's new National Lottery.

An announcement that the consortium, The Great British Lottery Company, has been strengthened by the addition of two of the UK's leading communications groups is expected today.

Countryside 'lost to sprawl'

One-fifth of England's countryside will have been lost to urban sprawl by 2050 if development continues at the rate of the past 10 years, the Council for the Protection of Rural England said.

Mr Tony Burton, senior planner at the CPRE, said 15 per cent of England is currently covered by towns and cities. He called for stricter planning laws to protect the countryside as an aesthetic and economic resource.

Atherton named test captain

Mike Atherton, the 25-year-old Lancashire batsman, has been named captain of England's national cricket side to take over from Graham Gooch, who resigned on Monday after the crushing defeat by Australia in the fourth Test at Headingley.

MANAGEMENT: MARKETING AND ADVERTISING

Pandering to the viewer: Plasticine animals have helped endorse the merits of electricity

When the jokes start to wear thin

Humour can benefit a campaign, but must not make the product seem superfluous, writes **Jean-Louis Barsoux**

When Volkswagen introduced the Rabbit (known as the Golf in the UK) to the US market it used a simple commercial. It showed two rabbits looking straight at the camera. A voice-over stated: "In 1956 there were only two VWs in America." The ad lasted 10 seconds, but it made its case with economy and wit.

There are good reasons for using humour in advertising. Both have compression forced on them: humour for effect, and commercials because air time costs money.

Humour also helps commercial persuasion through its capacity to engage. Humour can soften the sales blow, relaxing viewers and making them more attentive. A good example was the recent "Creature Comforts" campaign in which an animated panda, cat, tortoise and parrot took turns to vaunt the merits of electricity. The soundtrack amounted to little more than a straight product endorsement – something barely worthy of attention. But coming from comic Plasticine figures, the audience lapped it up.

Such commercials show the value of using humour, not least as a defence against the devastating remote control which allows "trigger-happy" viewers to wipe out thousands of pounds of advertising at the flick of a switch.

The problem is that advertisers seem to have carried the joke too far. The evidence abounds. It starts with the over-representation of comic celebrities as brand mascots – from Robbie Coltrane (Persil washing up liquid) to Dudley Moore (Tesco) – not to mention the virtual colonisation by comedians of the financial services sector.

The rationale behind this is that comedians are memorable and consumer-friendly. But their comic persona can overshadow the brand and any empathy felt towards them is no guarantee of action.

It may be that British agencies are looking too hard for a joke on which to hang their selling proposition. One manifestation is the increasing number of spoof ads. For instance, the current Carling Black Label offering ("Spider in the dunny") looks very much like a Castlemaine XXXX commercial.

This could be a measure of the confidence advertisers have in the capacity of viewers to distinguish between joke-kitch and the real thing. But such ads have a *fin de siècle* feel to them. Though entertaining, they are self-indulgent. One-upmanship has edged out any strong product message. They imply that new creativity is impossible, that there can only be exhuming and recycling of the old.

Advances in technology have also served as excuses for dragging humour into commercials. For example, a recent series of Tennent's Pilsner spots relied for their comic impact on a mixture of actions running forwards and backwards, including people jumping out of the sea. The impression it left, was one of a technique looking for a script.

Another culprit was the much-praised, but now defunct, Holsten campaign. As former JWT chairman, Jeremy Bullmore, pointed out: "You could take Holsten out and you'd still got a quite agreeable technique of interfacing a modern comedian with old movie footage – which is admirable and difficult and clever – but more or less any product could have replaced it."

Or again, take the Mercury Communications ads starring Harry Enfield in something resembling an Ealing comedy. The suitability of a black-and-white pastiche for what is such a forward-looking IT company has to be questioned. Another instance of the joke getting the better of the product message? The humour in such commercials does not emerge from the product but is arbitrarily applied to it. It therefore fails to reveal anything of interest, importance or value about the product. Such ads may not bore, but neither are they likely to set the cash tills ringing.

In replacing the hard sell with a more entertaining approach often the product or service appears superfluous.

As Bullmore sees it: "Humour shouldn't be bolt-on, it should be integral. And once you've said that, you can get rid of about three-quarters of humorous advertising."

Winston Fletcher, chairman of Bozell Europe, the advertising agency, reiterates the point: "Humour should support an idea, not be a substitute for one. It should make you think differently about what's being offered."

A good example is the current Direct Line motor insurance campaign, which sets the product in the role of hero. In it, a little red telephone comes hurtling to the rescue of people who need insurance. The phone not only symbolises the persona of the company, but encourages telephone inquiries. The campaign has been so successful that Direct Line has almost abandoned press advertising altogether.

The golden rule for comedy in commercials is that the humour should arise from the selling point. Unless the humour is woven into the product message, the danger is the jokes will merely serve as a distraction. It should be impossible to remember the "joke" without remembering the attendant message.

Opting for a humorous style of advertising is fine provided it is not done at the expense of the selling principles on which advertising is founded. Advertising can be lighthearted but it must not stop there. The ad has to make the viewer think differently about a product or service. Advertising must always be a means to an end.

Therefore, the basic question for companies to ask themselves when presented a humorous rough cut is: "Would the ad still have shape if the product were removed?" Before accepting the humorous gloss agencies are wont to foist on them, companies must think carefully – otherwise they may find that the joke is on them.

Jean-Louis Barsoux is the author of Funny Business, to be published by Cassell in August.

Pulling together on the high seas

In the run-up to Cowes **Keith Wheatley** says corporate yachting has chartered a new course

Thick black clouds were building to the west and a squall filled Creightons' giant spinnaker to bursting point. The 80ft maxi-yacht thundered up the Solent in need of a sail change. The mixed crew of Touche Ross staff and clients were about to get stuck in.

When the spinnaker was released thousands of square feet of billowing nylon came down in a rush. Willing arms flailed and strained to gather it aboard before it became the Solent's most brightly coloured fishing net.

"I've never been to any client event where people are so relaxed so quickly," comments George Owen, marketing director for the Praxis software arm of Touche Ross. "You're wearing casual clothes, winding winches together. There isn't any time for formality."

Until the past three or four years, corporate use of yachts almost certainly meant champagne, lobster and a "jolly" for the board and its valued customers. The recession killed that. In some respects it looked as if the recreational boating market might also be in a terminal condition. Every south coast marina had more boats laid-up in the car park than afloat on their moorings.

Yet what has emerged is a strong and growing market of company-related competitive sailing, both for corporate entertainment and in-house training purposes.

Companies that are used to the costs of Wimbledon or Ascot find it increasingly appealing and effective to be able to put 20 people aboard a boat such as Creightons, for less than £2,000. The result is that clients invited on such outings are more likely to be handed a set of oilskins than the customary umbrella and pen.

"We expected our UK fleet usage to be leisure-based, as the boats are in the Mediterranean," says Vanessa Lowe, marketing manager for Sunsail. "In fact, we have a huge demand to charter them as a fleet for corporate racing and training." From a marina base at Port Solent near

Portsmouth, Sunsail runs a large operation that involves handling the 35ft Beneteau club/racers as if they were hire cars.

Probably the most common pattern is for an industry or sector to set up a challenge and then the yachts are rented by individual companies who put their team aboard. Brewers, accountants and the advertising industry follow this method.

Sunsail organises all the courses and race starts and finishes – even to the extent of warning competitors firmly that the protest committee is away on a golfing holiday. The Industry Sailing Challenge, sponsored by T&N, the UK engineering company, has seen 212 companies and 3,000 competitors in its seven-year history.

This year's finalists included Richard Ellis, Ford, S.G. Warburg and Touche Ross.

"For most sailors once around the Isle of Wight is more than enough. Twice around, which means sailing through the night, is very testing," says Clive Jacobs, the former broadcaster, whose company Ocean Racing Agency owns and manages the event.

"It requires not just the determination to succeed but stamina to go with it. I think that's why so many firms who compete use the event for leadership, problem solving and decision-making under stress, and – above all – the development of team working."

"We wanted to be involved in something like this because it's sporting, not conspicuous consumption by a few senior people," says Owen. "The fact that most of us don't know anything about sailing is a plus. Learning how to learn together is very important."

Trainers point out that one of the advantages of yachting is that little can be achieved by individuals, the tasks are too large and too heavy, and that the group is in a self-contained universe with no outside distractions and a simple common goal.

"The team-work side of sailing on a boat this big and complex takes them by surprise," says Tony Allen, a solicitor and one of the co-owners of Creightons.

"They arrive as strangers and within an hour or so they're touching hands on winches and shoulder to shoulder on halyards. That kind of thing doesn't happen in daily office life.

"We never get blasé about seeing it happen. I spend half my week in an office and people just don't intermingle that easily, although these kinds of physical challenge show that they want to."

LEGAL NOTICES

IN THE MATTER OF The Eagles Wings Limited t/a Saint Michel Restaurant
AND
IN THE MATTER OF THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN pursuant to Rule 4.106 of the Insolvency Rules 1986 that on 22nd July 1993 I, SURJIT KUMAR SINGLA of Singla & Company, 49 Queen Victoria Street, London, EC4N 4SA was appointed Liquidator of the above-named company by the members and creditors.

NOTICE IS ALSO HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound-up, are required, on or before the 22nd September 1993, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Surjit Kumar Singla F.C.A. of Singla & Company, 49 Queen Victoria Street, London, EC4N 4SA, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

22 July 1993
Surjit Kumar Singla - Chartered Accountant
Liquidator

Notice of appointment of Administrative Receiver

ALPHA OMEGA SITE SERVICES LIMITED

Registered number: 2350807. Trading name: Omega Site Services Limited. Nature of Business: Providers of Permanent electrical contracts. Trade classification: 27. Date of appointment of Administrative Receivers: 22 July 1993. Name of person appointing the Administrative Receivers: National Westminster Bank PLC. Joint Administrative: E M Shires (office holder number 7925) N J Vooght (office holder number 6339) Address Coopers & Lybrand, PO Box 262, Orchard House, 10 Albion Place, Maidstone Kent, ME14 5DZ.

INSOLVENCY ACT 1986
SOUTHWARK RUN-OFF SERVICES LIMITED
(in members' voluntary liquidation)

NOTICE IS HEREBY GIVEN that we, R W J LONG, of Robson Rhodes, Bryanston Court, Selden Hill, Hemel Hempstead, Herts, HP2 4TN AND V M BAIRSTOW OF 186 City Road, London EC1V 2NU were appointed Liquidators of the said Company on 14TH JULY 1993 by the MEMBERS.

NOTICE IS ALSO HEREBY GIVEN that the creditors of the above named company are required on or before the 16th day of August 1993, to send their names and addresses, with particulars of their debts and claims to the undersigned Vivian Murray Bairstow and Richard William James Long of Robson Rhodes, 186 City Road, London EC1V 2NU the joint liquidators of the company, and if so required by notice in writing from the joint liquidators either personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice and in default thereof they will be excluded from the benefit of any distribution made before such debts are proven.

Note: This notice is purely formal and all creditors have been or will be paid in full.

Dated 19th day of July 1993
V M Bairstow and R W J Long
Joint liquidators

Creditors' meeting under Section 48(2)
Insolvency Act 1986
Company No 1998921
Registered in England and Wales
THOMPSON WORLDWIDE REMOVERS LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 48(2) Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at the offices of: Coopers & Lybrand, Orchard House, 10 Albion House, Maidstone, Kent ME14 5DZ on 6 August 1993 at 10.30 am. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting.

Other creditors are only entitled to vote if:
(a) They have delivered to us at the address shown below by no later than noon on 5 August 1993, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 Insolvency Rules 1986; and
(b) There has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Signed:
EDWARD MARK SHIRES
Joint Administrative Receiver
Coopers & Lybrand
Orchard House, 10 Albion Place
Maidstone, Kent ME14 5DZ
Dated: 19 July 1993

COMPANY NOTICES

THE ROYAL BANK OF CANADA
U.S. $350,000,000 Floating Rate Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 30th July, 1993 to 31st August, 1993 has been fixed at 3¼% per annum. On 31st August, 1993 interest of U.S. $2.888888 per U.S. $1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 31st August, 1993 will be determined on 27th August, 1993.

Agent Bank and Principal Paying Agent
ROYAL BANK OF CANADA EUROPE LIMITED

BRADFORD & BINGLEY
BUILDING SOCIETY

£100,000,000
Floating Rate Notes
Due January 1995

In accordance with the terms and conditions of the Notes, the interest rate for the period 28th July, 1993 to 28th October, 1993 has been fixed at 6¼% per annum. The interest payable on 28th October, 1993 against Coupon 7 will be £157.53 per £10,000 nominal.

Agent Bank
ROYAL BANK OF CANADA

PEOPLE

Board shuffle at Evered Bardon

James Murray, board member and managing director of the UK division of Evered Bardon, the aggregates group, has resigned after a management reshuffle in which three managing directors previously reporting to him now report directly to group chief executive Peter Tom.

"This is part of the tidying up process [after the merger of Evered and Bardon in 1991]," says finance director William McGrath. "We are not that big or complicated a company that we needed that extra layer."

Hence George Plant at Bardon Roadstone, John Hume at John Fyfe and Donald McKerraker at Tractor Shovels will report to Tom.

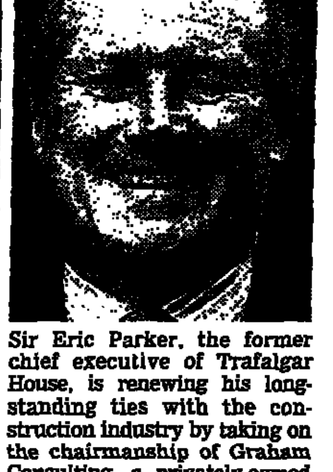
Murray, who is 52, came from the Evered side – while Tom was chairman and chief executive of Bardon. Murray had run Tractor Shovels, and then added John Fyfe when the latter was acquired by Evered. After the merger, he took on responsibility for Bardon Roadstone, the core business of Bardon.

"He is leaving amicably," says McGrath, who adds that Murray was on a three-year contract but is "getting his contractual entitlements, not vast sums of money at all".

■ David Cohen, group finance director of Alexon, plans to leave the group at the end of September to take up an appointment with Perot Systems Europe.

Alexon has a new management team largely in place, but a successor to Cohen has yet to be named.

Non-executive directors



Sir Eric Parker, the former chief executive of Trafalgar House, is renewing his long-standing ties with the construction industry by taking on the chairmanship of Graham Consulting, a privately-owned firm of consulting engineers.

Sir Eric, 60, who left Trafalgar House last month following a boardroom reshuffle, has spent most of his working life in the construction industry. He joined Trafalgar House in 1965 and, along with founder Sir Nigel Broackes, transformed the company from a stock market minnow into a major conglomerate with £4bn of sales.

By contrast Graham Consulting, set up by Frank Graham in 1967, is a relatively small operation even by the standards of the consulting engineering business. It employs 650 staff and in the year to end March made operating profits of £718,000 on revenues of £22m.

However, the company has carved out a niche for itself as the leading consulting engineers specialising in maintaining Britain's motorways. Traditionally, the job has been done by local government highway departments but starting in 1986 the Department of Transport started to privatise the business and Graham Consulting now oversees the maintenance of several large highway networks in West Yorkshire and London.

Sir Eric becomes non-executive chairman on September 1 and replaces the late Sir Roy Watts.

■ Sir George Russell as chairman at MARLEY having stepped down as executive chairman following his appointment as chairman of 3i.

■ Eric Nicoll, group chief executive of United Biscuits, at THORN EMI.

■ Donald Marr as chairman at DUNDEE AND LONDON INVESTMENT TRUST on the retirement of Donald Grant.

■ Peter Ryan, a former director of Thomas Tilling, at ROXSPUR.

■ Joseph Barnes has retired from J SAINSBURY.

■ Roger Smith (below), former chairman of Trimoco, former deputy chairman of Tricentrol, and past president of the Retail Motor Industry Federation, at EUROPEAN MOTOR HOLDINGS.

Finance moves

In the latest of many management changes at fund managers HENDERSON ADMINISTRATION, John Hughes, the board member responsible for administration, has resigned. A spokesman on behalf of the company said that his job had changed, and been enlarged, since the recent acquisition of Touche Remnant. "There were lengthy discussions about his role and about job satisfaction. But it didn't work out, unfortunately for him," the spokesman said.

Hughes, 48, had been on the board since 1988 and had joined the company a year earlier. Between 1984 and 1987 he had been systems director at BZW, and for the previous decade he had worked in the marketing department of Rank Xerox.

Tony Solway, director of systems, is acting head of administration while the board decides what will happen to the post.

■ Kimisuke Fujimoto, director and general manager of SANWA BANK's international department in Tokyo, is appointed general manager of the London branch in succession to Kaneo Muromachi who returns to Tokyo.

■ Andrew Lamb, formerly senior manager of the financial markets and institutions division at the Bank of England, has been appointed director of market services at the LONDON CLEARING HOUSE.

■ Larry Domash, formerly director of development of US equities in Boston, has been appointed research director UK and Europe for FIDELITY INVESTMENTS.

Cinema / **Nigel Andrews**

All-action Arnie gets metaphysical

It is Mayday time in the media and movies. Major leakages are happening between monitored make-believe and rebel reality. Designer dinosaurs turn into ravening beasts; Conservative prime ministers slip into off-air obscenity; and Arnold Schwarzenegger falls out of the cinema screen into the real world of crime-ridden New York.

In today's pop science jargon they call it Chaos Theory. *Last Action Hero*, starring the aforementioned Austro-American hulk, confirms what Hollywood's *Jurassic Park* and British TV's "Bastardgate" have just hinted. That in today's hi-tech age the best-laid plans of mice and men, scientists and politicians, are powerless to paper over the cracks between parallel worlds and the slippages between design and denouement.

But – and when does show business fail to come up with a "but"? – one can always make a new art form from the debris of the old. *Last Action Hero* is metafiction for the popcorn set. Spoof mixed with pastiche wrapped in *hommage*, it tells us what happens when fictional Los Angeles cop hero Jack Slater (Schwarzenegger) is joined *inside* his latest film by boy movie buff Austin O'Brien, propelled into the screen by a magic ticket stub. (It once belonged to Houdini).

Several adventures later, Slater repays the interdimensional visit by crashing into the boy's native New York. So does the film-within-a-film's villain Charles Dance, a white suit with a beard and braying RADA accent. And so does the armoury of stunts and special effects assembled for this $50m blockbuster directed by John (*Die Hard*) McTiernan.

If I tell the plot in detail, you will go mad. It involves the usual foreground of fistfights, car chases, shoot-em-ups and hand-me-down tough guy dialogue. What lends variety this time is the background. Cliches are pixillated by context. In one scene the boy, watching Olivier's film of *Hamlet* in school, daydreams a gun-toting parody version with Slater-Schwarzenegger as the Dane. ("To be or not to be" quips the fuse-lighting hero – "*not* to be!" as Elsinore explodes around him). And throughout the movie reality slides around in continuous flux, lubricated by ludic in-jokes. The hi-tech police station is none other than Columbia Pictures' own palatial lobby; the schoolmistress teaching *Hamlet* is none other than Lady Olivier; and every other guest star carries his own movie-referential hand luggage, from FBI agent F. Murray Abraham ("He killed Mozart") to a roaring, grunting Anthony Quinn, capping all the Mafia *capos* he ever played.

LAST ACTION HERO (15)
John McTiernan

DENNIS (PG)
Nick Castle

CHAIN OF DESIRE (18)
Temistocles Lopez

JUST ANOTHER GIRL ON THE IRT (15)
Leslie Harris

Foolish to make large claims for this amiable, untidy, overlong film. It bears all the signs of a committee-born brainwave, with its cross-generation casting and keep-em-awake piling of disparate incident. But *Last Action Hero* also comes closer than any Hollywood film I have seen to a deconstructionist primer on how to "read" popular cinema. No sooner does the film perpetrate twaddle than it comments on it and disarms it. As the cliches line up for frisking – from the statutory hero's catch-phrase ("Beeg mistake!") to the one-man arsenal of weaponry Schwarzenegger wears about him – we realise that this is that rare and dangerous animal, a self-aware Hollywood action movie. What ever next? *Star Trek VII: The Intertextuality Zone*? *New Readings In Rambo*? *Where Eagletons Dare*? Hang on to your hats. Post-modernism may be coming to the picture show.

No sign of it, though, in *Dennis*. The only segue between these two American romps is Joan Plowright. New York schoolmarm here becomes Illinois housewife – both played with a majestic indifference to accent – and the teaming of Lady Olivier's chubby aloofness with Walter Matthau's bloodhound-faced dyspepsia is the chief inspiration in this maniac-child comedy scripted by John (*Home Alone*) Hughes.

Based on the American newspaper strip-cartoon "Dennis The Menace" (no relation to the UK version), the movie jitters along from jape to jape as 10-year-old Dennis (Mason Gamble) sabotages false teeth, pours paint into barbecues, catapults aspirins into grown-ups' sleeping mouths, wrecks prize-winning gardens and makes life hell for his parents and next door neighbours (Matthau/Plowright).

Master Gable is clearly cloned from Macaulay Culkin – Hollywood was into DNA experiments long before *Jurassic Park* – and he goes through a near-identical repertoire of fluttering eyes (mock innocence), gaping mouths ("Register *shock* now, Mason") and whoops of delinquent triumph. The film climaxes in a long, witless re-run of the boy-versus-burglar brutalities of *Home Alone*, with Dennis subjecting footpad Christopher Lloyd to ordeal by bonfire, baked beans and near-drowning. But before that there are moments of brighter, sourer hilarity: especially when Matthau clumps into view, his jowly asperity lighting up the screen like a sodium flare, his sinal twang sending simple lines thudding to their comic target.

Hamlet as beefcake: Schwarzenegger meets Shakespeare in a "Last Action Hero" dream sequence

Chain Of Desire is *La Ronde* done on the cheap in New York, and as resistible as that sounds. Venezuelan-born writer-director Temistocles Lopez daisy-chains 12 tales of love and lust, their linking characters played by a middle-magnitude cast including Malcolm McDowell (gay writer), Linda Fiorentino (sultry chanteuse), Elias Koteas (stud repairman), Seymour Cassel (action painter seeking extra-marital action) and Assumpta Serna (action painter's wife seeking ditto).

The press show audience was prone to incredulous mirth: as who would not be when presented with the movie's dim dialogue, gauche camerawork and po-faced procession of soft-porn encounters. The orgasmic transports of a shoe fetishist; acts of sex atop a still-wet artist's canvas; simultaneous masturbation by three window voyeurs ... but no, enough. You might want to see the film and make your own choice between goggling and giggling. The wackiest touch, I thought, was the coffee-table book entitled "Deconstruction" placed dangerously near one energetic daytime coupling. Was this a comment on what might happen to the coffee table? Or is it part of the movie industry's marching orders for a New Cerebralism we noted in *Last Action Hero*?

Just Another Girl On The IRT is no less ill-focused but more strident: the tale of an unmarried black girl from Brooklyn who gets pregnant, rails against fate, screams at her boyfriend, refuses to have an abortion and ends up developing that nastiest of pre-natal symptoms: talking to the camera. (Deserted by everyone, she has only the audience to hector). Debut director Leslie Harris is the first African-American woman to have a film distributed in the UK. One applauds the breakthrough, but not the whingeing one-note movie.

Elsewhere – and we warned you about the summer silly season – the choice is between *Liquid Sky* (18, ICA) and a season of Ealing comedies at the Barbican. The first is a 10-year-old cult sci-fi fantasy about aliens cannibalising drug- and sex-crazed New Yorkers. The second is a time trip back to the dear old days when sex had not been invented, New York was on another planet and Britain was a comic cosmos unto itself. We have seen them all before – *Whisky Galore*, *The Lavender Hill Mob*, *The Ladykillers* – but in a week like this there are worse fates than seeing them all again.

Kuhmo Festival / **David Murray**

Warmth in the frozen north

West of the Russian border and just below the Arctic Circle, the Finnish town of Kuhmo boasts 13,000 souls and more than 600 lakes. In the ordinary English sense of "town", only slightly more than half the population lives there, with the rest scattered amid 5500 square kilometres of Kainuu wilderness. Kuhmo "town" was badly hit in the last war; nothing of distinction remains to it but its fine, spacious wooden church from the last century – and the beautiful Northern lakescape.

For no fathomable reason, the cellist Seppo Kimanen decided to found a "Kuhmo Chamber Music" festival there in 1970. (The locals were bemused; many of them still are.) It has become one of the world's happiest music festivals, as this year the 24th festival confirmed again, in spite of carnivorous mosquitoes. Outside of Scandinavia not many people know that, except for musicians; and it would be self-defeating if many more did. There *is* a magic formula, as it happens, though it is flexible enough to be re-interpreted every year, and may anyhow be unfeasible anywhere but in Kuhmo. It goes something like this:

From many countries, invite the keenest, most musicianly chamber-players available, including full-time ensembles such as the Lindsay Quartet (Kuhmo regulars) but also established soloists whose careers leave too little space for chamber music except in their holidays. For derisory fees but superior rewards, let them deliver their best party-pieces, individually and plurally, but insist also that they work with newly-met colleagues on fresh performances of music old and new. Further, some will be teaching and/or running master-classes for the "Music Camp" of student talent from around the world.

Shape all that into a programme with some coherent themes: this July, we had all Mozart's and Boccherini's quintets, Haydn piano trios, a survey of recent Icelandic music, Austro-German and French classics, old and new music from Japan (Kimanen's wife is Yoshiko Arai, leader of his Sibelius Quartet). Add some premières, some *recherché* rediscoveries and some pieces for odd ensembles. Make it all so intensive, with music practically round the clock, that the idyllic simplicity of the place will be the perfect restorative. The marathon Saturday night concerts – "night" is the wrong word – are still going on while sunset merges into sunrise. Nobody dresses up, neither artists nor the audience.

It is a rare, illuminating pleasure to hear first-class musicians working out ideas and responding to each other, so to speak, on-the-hoof. If something does not work, no harm done, no reputation endangered; contrariwise these performances can strike brighter sparks, again and again, than stuff polished for the international circuit. It is a boon to have such artists to introduce the unfamiliar pieces, too, which may never have enjoyed playing of this calibre.

This year, for example, the flautist Philippa Davies, the clarinettist Michael Collins and the cellist Robert Cohen came from Britain, Stephen Burns brought his trumpet from America, and the pianists Christian Ivaldi and Philippe Cassard were on hand to ensure strict faithfulness to French style (the Franco-British collaborations in Poulenc were splendid). More about all this in the Weekend FT, especially about Kuhmo's wonderful new concert hall.

Opera in Munich / **Andrew Clark**

Lament for a lost warrior

A youth barely out of his mother's arms rushes off to defend his people in war, has his first taste of sexual love, heads into battle and is slaughtered. Germany 1914? Britain in 1939? Bosnia today? It could be any – but all are wrapped into one in Siegfried Matthus's *Die Weise von Liebe und Tod des Cornets Christoph Rilke* (Cornet Christoph Rilke's Song of Love and Death), which has just joined the repertory at Munich's Gärtnerplatztheater and will receive its British premiere in early October during Glyndebourne Touring Opera's London season.

Matthus, born in 1934, had his talents honed by a long association with the Komische Oper and is now enjoying belated international recognition as one of Germany's most skilful, performable composers. *Cornet Rilke* is the sixth and most successful of his eight operas. Commissioned for the reopening of the Semper Opera House in Dresden in 1985, this 90-minute "operatic vision" is based on Rainer Maria Rilke's prose poem about his 17th century ancestor, a young cavalry officer who died defending Europe against the heathen Turkish hordes. A copy of the poem accompanied German soldiers heading for the 1914-18 front, to inspire them with visions of a glorious death in defence of the Fatherland. Rilke later tried to disclaim this interpretation, saying his poem symbolised the way youth sheds its innocent bloom in the explosive breakthrough to adulthood.

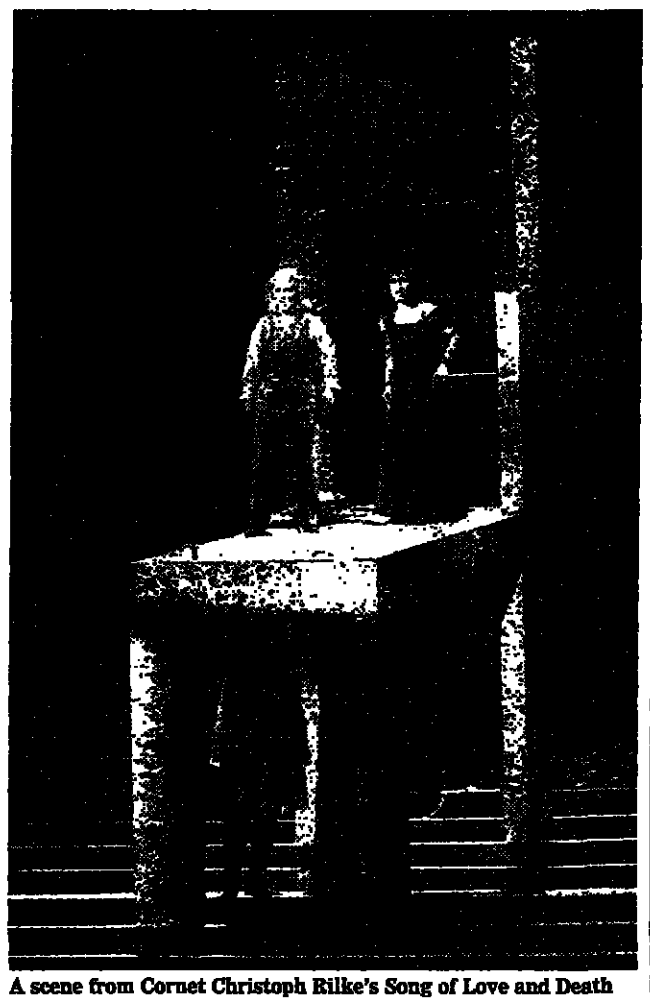
Without undermining the dream-like mood of romance, Matthus turns the poem into an anti-war elegy, framing it with an *a capella* Dies Irae inspired by the Allied destruction of Dresden. The poem itself offers little in the way of conventional dialogue or narrative. What it does provide is a sequence of thoughts, feelings and impressions, which Matthus clothes in music of lyrical power and dramatic sensibility.

Horn, timpani and side-drum invoke the marching rhythms and regimental call to arms, while a flute quartet, two harps and xylophone summon the atmosphere of reverie, augmented by a mirage-like offstage chorus (reminiscent of the hallucinatory echoes of "Grimes" in the final act of Britten's opera). The range of imagery Matthus draws from his 11 instrumentalists is wide – and even wider in the intricate choral parts, requiring absolute security of pitch and balance. With his undogmatic brand of serialism, subtly neo-romantic in effect, Matthus matches the emotional power of the poem without dissolving into kitsch.

The Munich production, staged by Heinz Lukas-Kindermann in designs by Hans Hoffer and Anette Schröder was well sung and acted, but sometimes missed the mark in its choice of visual imagery. The performance began with a projection of the autograph of Rilke's poem and the appearance of a small boy with rocking horse and toy-banner; an unidentified man took a book out of his pocket and began to read. The action unfolded on a stage-wide staircase, populated by a row of outsize infantry boots in the opening march, a troupe of debauched revellers in the bacchanale, and visionary figures appearing from hidden doors during the Cornet's contemplative soliloquies. A giant upright chair dominated the mysterious love scene, which lacked dramatic focus. The finale, in which the Cornet awakes in a blazing castle before riding to his death, was mimed in an abstract glow of red light.

In the title role – a breeches part shared by two mezzos, one of whom gives voice to the Cornet's inner thoughts – Annette Seiltgen and Sneshinka Awramowa sang beautifully and movingly. The Countess, which Matthus divides less convincingly between two sopranos, was elegantly portrayed by Evelyn Holzschuh and Ulrike Steinsky. Above all, the chorus-master Hans-Joachim Willrich and conductor Aleksander Kalajdzic deserve praise for their grasp of Matthus's idiom.

So I enjoyed my visit to Munich's second opera house, where high standards can be appreciated at a fraction of the cost of the starrily-cast but sometimes barely-rehearsed festival performances across at the National Theater. The Gärtnerplatztheater's repertory is refreshingly offbeat (with Weill's *Street Scene* also on this month's programme), and the building itself is a jewel.



A scene from Cornet Christoph Rilke's Song of Love and Death

Jazz / **Garry Booth**

Melodic journey

Thirty years' worth of understated and carefully nurtured tenor playing produced the Grammy-winning Joe Henderson in full bloom at London's Queen Elizabeth Hall on Monday. A diffident personality, usually wreathed in cigarette smoke, Henderson's restraint and lack of bluster has kept him out of the headlines but in the best musical company since his early years with Kenny Dorham and Horace Silver. A new label deal and a series of well-conceived discs which diffuse the polished melodies of Billy Strayhorn and mellow the cool loneliness of Miles Davis brought him blinking into the spotlight last year.

At a time when young saxophonists are expected to make their mark through sonic attack, Henderson leaves a deep and lasting impression through his sonorous, considered interpretation. Backed by the talkative upright bass of Dave Holland and the bright, skittish drumming of Al Foster, the Henderson tenor ripens before your ears.

Proceeding from Strayhorn's "Isfahan" a melodic picture sensitively built up, "Take The 'A' Train" introduced gentle harmonic embellishment and a choppy "Lush Life" even produced the odd skirl from the reed. Typically, Henderson's development of these seasoned works took on the manner of a journey to an unknown destination with pauses on the way to savour the melody. The conclusion of each number is reached unwittingly but naturally. Diversions created by thrumming, fret-rattling solos from Holland or good-humoured polyrhthyms from Foster, are carefully measured – Henderson's own excursions rationed to not overwhelm the ear.

The saxophone trio must be one of the most testing formats for the concert hall, for all concerned. It is a tribute to the Joe Henderson trio's musicianship that their tunes hang in the air, without hiatus, to be savoured in all their richness, with neither introduction nor explanation needed. The group's fine volume balance, Henderson's magisterial lead, deep sensitivity to the music, and each other's involvement in it, now set the standard for small groups of any instrumentation.

Sponsor: Marantz.

INTERNATIONAL ARTS GUIDE

■ BATIGNANO

The second of this summer's productions at Adam Pollock's intimate, outdoor opera festival, Musica Nel Chiostro, is Bernstein's Candide: six performances between Aug 7 and 15 (0564-38096)

■ BREGENZ

The opera festival on the Austrian corner of Lake Constance continues to solidify its connection with front-rank British producers. Jonathan Miller's new staging of Fedora, with Mara Zampieri in the title role, can be seen tonight, Aug 1 and 5. David Pountney's production of Nabucco on the floating stage continues with four or five performances each week (and changing casts) till Aug 22. This year's concerts are conducted by Rafael Frühbeck de Burgos, Pinchas Steinberg and Donald Runnicles (05574-4920 224)

■ DROTTNINGHOLM

Elisabeth Söderström, much-loved Swedish soprano, has taken over as artistic director of the world's most important 18th century theatre still in action. This year's performances include Una cosa rara by Mozart's Spanish contemporary Vicente Martin Y Soler (conducted by Nicholas McGegan) and Figaro, a ballet-pantomime after Beaumarchais, choreographed by Ivo Cramer with anonymous 18th century music arranged and conducted by John Lanchbery. Ends Sep 4 (08-660 8225)

■ EDINBURGH

This year's festival (Aug 15-Sep 4) includes performances of Janacek's first opera Sarka and three Verdi operas (Oberto, I Due Foscari, Falstaff), an exhaustive survey of the work of young Scottish composer James MacMillan, and several Schubert recitals. The drama programme includes Peter Stein's 1992 Salzburg Festival production of Shakespeare's Julius Caesar, a modern Aeschylus production by Peter Sellars, and the Bob Wilson/Gertrude Stein theatre piece Dr Faustus Lights the Lights. The dance programme is limited to Mark Morris' troupe and the Bill T. Jones troupe (Official Festival: telephone bookings 031-225 5756, 24-hour information service within UK 0891-600 304. Military Tattoo: 031-225 1188. Fringe: 031-226 5257)

■ LUCERNE

This year's programme, opening on Aug 14, focuses on anniversary celebrations of Tchaikovsky and Rachmaninov, with Alfred Schnittke as the festival's first-ever composer in residence. Visitors from Russia include the Bolshoi Opera Orchestra and Chorus, the St Petersburg Capella Choir and Orchestra and the Russian National Orchestra. There will be a Rachmaninov piano marathon with Barry Douglas and others, the world premiere of a new work by Edison Denisov and a Schnittke ballet programme. Visiting orchestras include the Berlin, Vienna and Oslo Philharmonics, with artists ranging from Yuri Bashmet to Abbado, Barenboim, Järvi and Sawallisch. There is also a daytime amateur music festival from Aug 16 to 21, including workshops supervised by professional musicians. For those wanting a break from the music, there are trips on the lake, up the Pilatus and Rigi mountains and to the Transport Museum and Lion Monument. Ends Sep 8 (041-235272)

■ MONTEPULCIANO

The Cantiere Internazionale d'Arte, founded in 1976 by Hans Werner Henze in this picturesque and well-preserved Tuscan hill town, was originally intended as a performing arts laboratory. Although in recent years it has developed into a fully-fledged festival, the emphasis is still on youth. This year's programme includes concerts by the Orchestra of the Royal Northern College of Music, Manchester, and a production of Detlev Glanert's opera Leyla und Medjnun, conducted by Markus Stenz. The final concert on Aug 8 in the town's Renaissance square features music by Pachelbel, Haydn and Berio, and brings together all the musicians taking part in the Cantiere. For further information, telephone 0578-716000.

■ MONTREUX

This year's festival (Aug 20-Sep 24) is the first to take advantage of Montreux's new lakeside concert hall, the Auditorium Stravinsky. Montreux has never been known for its thematic content, but this year features a series devoted to French chamber music, including rare works by Reynaldo Hahn, Vincent d'Indy and Charles-Valentin Alkan. The line-up of artists includes Alicia de Larrocha, Teresa Berganza, Barbara Hendricks, Pinchas Zukerman and the Royal Concertgebouw, Bavarian Radio Symphony and St Petersburg Philharmonic Orchestras (021-963 5450)

■ SALZBURG

Gerard Mortier's second festival, which opened last weekend, is likely to be less of an explosion than last year, but the programme is still bursting with good ideas. Deborah Warner stages Shakespeare's Coriolanus alongside a revival of Peter Stein's 1992 production of Julius Caesar. This year's new opera productions are Cosi fan tutte (with Cecilia Bartoli and Jennifer Larmore), Lucio Silla (with Ann Murray and Luba Orgonasova) and Monteverdi's Poppea (with Sylvia McNair and Philip Langridge). Revivals include Salome (Bondy/Dohnanyi, with Catherine Malfitano and Bryn Terfel) and Falstaff (Ronconi/Solti, with José van Dam). There are concert performances of Dallapiccola's Ulisse and Nono's Prometeo. Despite the increase of contemporary music at the festival, Salzburg's luxury element continues with a parade of top-class orchestras, conductors and soloists, including the Berlin Philharmonic with Abbado, the Oslo Philharmonic with Jansons and Vienna Philharmonic under Maazel, Ozawa and Levine. Riccardo Muti's only appearances this year will be to conduct two Jessye Norman concerts on Aug 2 and 3. A notable occasion will be the farewell concert on Aug 9 of Christa Ludwig, one of the best-loved of Salzburg veterans. Ends Aug 31 (0662-844501)

■ OSLO

Norwegian violinist Arve Tellefsen, founder-director of the Oslo Chamber Music Festival (Aug 6-14), has drawn together friends and colleagues for an attractive anniversary tribute to Grieg, his contemporaries and compatriots. Artists appearing at the festival include Swedish baritone Hakan Hagegard, Jan Garbarek Jazz Quartet, Nordic Youth Orchestra, Norwegian cellist Truls Mork and pianist Tedd Joselson. Three festival concerts take place in Bergen, for which a special train has been chartered to take the audience through the scenery which was Grieg's inspiration (2255 2553)

■ TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. Tonight: duo recital by Sergei Leiferkus and Galina Gorchakova. Tomorrow: Roger Norrington conducts Beethoven and Brahms, with piano soloist André Watts. Tomorrow: Norrington conducts Beethoven's Missa Solemnis. Sun afternoon: Seiji Ozawa conducts Goehr's Colossos or Panic, plus works by Rachmaninov and Tchaikovsky, with solo pianist Evgeny Kissin, plus Leiferkus and Gorchakova. Guest artists over the following two weeks include Thomas Hampson, Maria Tipo and Midori. The Boston Symphony's concert series ends on Aug 31, after which there will be a week of jazz concerts featuring Oscar Peterson, Count Basie Orchestra, Ramsey Lewis and Tony Bennett (Ticketmaster Boston 617-931 2000 New York City 212-3077171)

■ VERONA

This year's operas are Cav and Pag, Carmen, La traviata and Aida. Cav and Pag runs till Aug 14 with casts including Giovanna Casolla, Nicola Martinucci and Giorgio Zancanaro. Casolla and Martha Senn alternate in the title role of Carmen, which runs till Aug 29. Adriana Morelli is Violetta in La traviata (till Aug 30), and Aida opens on Sat for five performances, with a cast led by Maria Dragoni, Ghena Dimitrova, Kristian Johansson and Paolo Gavanelli. In the second half of August, there will be four performances of Khachaturian's ballet Spartacus (Booking by telephone or in person: Arcovoli 8-9 dell'Arena tel 045-596517 fax 045 801 3287)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

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Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
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A forced and loveless marriage in Pretoria

BOOK REVIEW

OPENING OF THE APARTHEID MIND
By Heribert Adam and Kogila Moodley
University of California Press, $25

It is sometimes hard for outsiders to reconcile the contradictory visions of South Africa which assail them in TV images and in newspaper headlines. There is the South Africa of the negotiating chamber, where the two main black and white parties are still co-operating to produce a new, democratic constitution ahead of the country's first multiracial elections next April. Then there is the other South Africa: a country of horrific violence and mounting social dislocation, of economic decline, political collapse and threats of civil war.

To which country does the future belong? According to Heribert Adam and Kogila Moodley, a husband and wife team of sociologists, probably not altogether to either. In this book, they offer a more carefully nuanced portrait in which apartheid oppression is replaced not by true democracy but by a multiracial, but still authoritarian, oligarchy of the centre, challenged by similarly multiracial extremes of the left and right.

For the foreseeable future, they argue, South Africa will be ruled by a self-selecting elite – black as well as white – in the name above all of law, order and economic development. The leadership of the African National Congress, in other words, will be happily co-opted into the existing structures of white power, dissenters crushed, and legitimacy sought through popular referendums if it cannot be secured through elections.

Adam and Moodley, though now resident in Canada, have an impressive record as commentators on, and anticipators of, South Africa's political evolution. Adam's 1971 book, Modernising Racial Domination, accurately foresaw the changes in the ruling National party during the 1970s; in 1986 they predicted a historic accommodation between the Nats and the ANC.

Their latest oeuvre, like its predecessors, is not an easy read. It is irritatingly full of sociology-speak (what, for example, is "the abdicating relativism of the postmodernists"?) and its argument is poorly organised to a point which may deter the uninitiated reader.

But it could well prove every bit as prescient. Indeed, in many respects the process it outlines is already well advanced: this is essentially what the ANC and the government mean when they talk these days of "power-sharing". Adam and Moodley describe their political alliance – the driving force of the multi-party talks – as a forced and loveless marriage. Just as neither could defeat the other in the 1980s, neither can rule without the other in the 1990s.

That the people who matter on both sides recognise this fact is in itself remarkable. As the book shows in a lucid account of the road from confrontation to negotiation, it testifies to the Afrikaners' well-developed instinct for self-preservation.

It was this instinct which prompted them to seek talks when international events (settlement of regional conflicts with the end of the cold war) and domestic pressures (the mounting costs of apartheid) were for the first time combining to make compromise seem both feasible and acceptable. "Few ruling groups in history have ever wriggled themselves out of a deadly predicament more elegantly," the authors observe.

The wriggling is far from over yet, of course. The two sides, for all their procedural progress, have not been able to agree how to define power-sharing. Before elections will be conceivable, the ANC and the National party will have to reach a more precise understanding – preferably together with Chief Buthelezi's Inkatha Freedom party – on the powers of regional government. And even if the outstanding constitutional issues are resolved in time, it is open to doubt whether elections can happen while anarchy and violence still stalk the townships.

The authors' scepticism about the prospects for democracy goes deeper than that. They wonder how, having secured a stake in power, ANC leaders will exercise it. They worry that high black expectations for change will rapidly clash with economic reality, and that the elite will sink into corruption. A persistently sluggish economy would worsen political tensions and exacerbate South Africa's manifold social ills; the result could be a multiracial class war between urbanised, employed "insiders" and the dispossessed of the hostels and squatter camps. Such conflict, rather than tribal strife, say the authors, is one element in the current fighting between the ANC and Inkatha.

As the country drifts further into ungovernability, restoring order will become the government's – any government's – top imperative: "If a new suppression of white and black violent extremism were perceived as essential, a multiracial emergency coalition could crush opposition even more effectively than the old racial minority regime. After all, the ANC has tortured its dissidents and spies almost as gruesomely as the apartheid police."

Nevertheless, Opening of the Apartheid Mind suggests that none of the gloomy parallels most often sketched is quite accurate. South Africa is unlikely to suffer the mass exodus of white civil servants that afflicted Zimbabwe, for example, and in any case has a much more vibrant private business sector. Even under apartheid, it was a more integrated society than the former Yugoslavia; the hatreds between the majority of blacks and whites do not bear comparison with those between Serbs, Croats and Bosnian Moslems. On the contrary, the authors identify among South Africans of all colours a promising sense of common purpose that transcends the discredited group identities imposed by apartheid. In that lies perhaps the strongest reason to hope that South Africa is not doomed to become another African disaster story.

Andrew Gowers

ECONOMIC VIEWPOINT

Don't take risks on UK's good luck

By Samuel Brittan

There is one criticism that the UK chancellor, Mr Kenneth Clarke, does not deserve: that is for having done and said little since he became chancellor.

Considering the sluggish world economy and severe European recession, the British economy is doing remarkably well. In these circumstances, the adage "Leave well alone" applies. UK output is growing faster than most forecasters expected, but not so fast as to constitute an inflationary threat. And prices and costs are performing almost miraculously. Total demand in money terms is growing very much in line with expectations, but the division between real growth and inflation has turned out better.

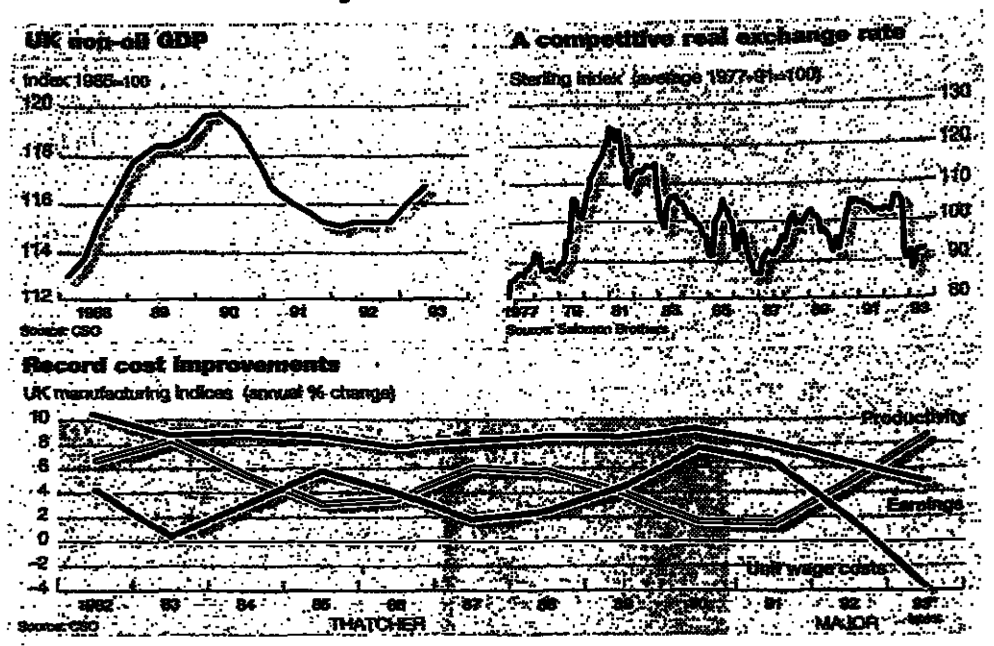
The base rate cut being pressed by the industrial lobbies would be putting this good fortune gratuitously at risk. It should be saved for possible use later against any excessive sterling appreciation.

Of course, the UK recovery is patchy and the sectors that have not benefited have successfully communicated their pessimism to the Bank of England. That is the nature of the early stages of recovery.

Not only is the UK economy expanding more quickly than expected. But growth has been export led to a surprising extent, which is not bad in current circumstances. The deterioration in export prospects alleged in the July *CBI* survey is derived more from fallible business predictions - such as those which lay behind premature talk of "green shoots" - than from hard questions about orders and deliveries.

Gavyn Davies, one of the members of the chancellor's forecasting panel hitherto most worried about the balance of payments, now admits that the export figures are better than he had expected. He says a trade deficit will not be a problem while GDP growth remains strong and inflation is subdued. For, with a high-growth, low-inflation economy, the returns on inward investment in the UK remain high.

The rise in manufacturing productivity in 1993 looks like being at least as high as in the best year of the 1980s. Earnings increases in manufacturing, on the other hand, have fallen to 5 per cent per annum – 3¾ per cent for the whole economy – a rate which would previously have been unbelievable. As a result, unit labour costs in manufacturing are now actually *falling* by over 3 per cent per annum, something not



seen since the present series began. Yet this has been achieved without anything like as hard a squeeze on profit margins as in the early 1980s.

There is now both a less inflationary culture and a more flexible labour market, which may explain why unemployment started to fall much earlier than expected, in contrast to the Continent.

The foundations for this success were laid by two highly unpopular policies. First there were Nigel Lawson's interest rate increases in the last 17 months of his chancellorship, which took base rates up to 15 per cent and led a howling media-mob to his country residence. Second there was the Major-Lamont insistence on sticking to ERM membership for two years to September 1992 which led to yet more media hostility.

The cumulative effect of both policies was more severe than intended. But they made possible the remarkably successful onslaught on inflation and the present highly competitive cost position, a platform for future growth. As regards supporting these policies in these columns: *Je ne regrette rien.*

The obvious danger to continued success is the European currency turmoil on Britain's doorstep. It is in no one's interest that the remainder of the ERM should break up. The UK was able to get away with a successful devaluation, partly because it was so obviously unplanned and unintended, and partly because the market consensus was that sterling was overvalued. Even so, all it

A more flexible labour market may help explain the early fall in unemployment

did was to put the seal on cost improvements achieved by years of squeeze and slog.

There is no future in each European country trying to steel a march on its neighbours by competitive devaluation. The key to European recovery is a monetary policy in the interests of the whole continent and not one defined by a mechanistic monetarist view of Germany's interest. German monetary policy will undoubtedly be relaxed much more under the pressure of recession. The question is whether the Bundesbank moves fast enough to meet current needs.

In the longer run, the removal of obstacles to employing workers, in the shape of hiring, firing and overhead costs – and to the movements of goods across the former Iron Curtain – will be more important for European growth. But decades of perverse policy, which the Christian Democrat parties have been too "politically correct" to oppose, cannot be reversed in a few weeks. And in any case a single market will require some basis of currency stability, whatever happens to the ERM in the immediate future.

Meanwhile, the task is to put the British economy in the best possible shape to weather any European storms and to exploit the European recovery which will one day come.

If there is one economic number that a large proportion of the British public knows, it is the £50bn the government expects to borrow this financial year. City gloomsters have conveniently forgotten that perhaps £20bn of the deficit goes to capital spending. If they would then subtract another part due to recession, they would be left with something that could be readily financed, even disregarding privatisation receipts.

Fiscal puritans, moreover, overlook what Norman Lamont left behind: a cumulative £10bn per annum of additional tax increases due to come into effect over the next two financial years. Vague knowledge of these is already restraining consumer spending. The UK needs tax increases in the November Budget on top of that as much as it does a hole in the head.

The national Budget is not quite the same as a family budget. One of its jobs is to offset or make up for deficiencies or excesses in private spending. On this aspect, the Keynesians were right. They were just over-optimistic about how much demand could be stimulated without running to waste in inflation.

The most likely circumstance in which a UK policy change would be required would be an excessive appreciation of sterling. This could come about even without a break-up of the ERM from a fall in the D-Mark which left sterling at a relatively high level.

Because of the UK's domestic inflation success there is room for modest further appreciation of sterling, while preserving competitiveness and reinforcing sound money credibility. But, at a sterling rate of somewhere between DM2.60 and DM3, enough would be enough, as there could be a real danger of overseas-led deflation. Exactly where this would come is a judgment depending in part on where the pound is in relation to non-EC currencies. A sterling index approaching anywhere near 90 (compared with 81 recently) would be a danger signal.

Faced with a massive sterling appreciation, UK interest rates would have to be cut; and the number of Conservative MPs who believe in ignoring the exchange rate would melt like Alpine snow in spring.

A very low interest rate, introduced for external reasons, might have to be offset by a fiscal tightening. But taxes should not be deliberately raised because of a hypothetical combination of circumstances. The best approach to fiscal policy is still the long-term one, focusing on the control of public spending.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Sheehy view on police 'patent nonsense'

From Mr S J Beattie.

Sir, Sir Patrick Sheehy's defence of his Report into Police Responsibilities and Rewards (Personal View, July 26) is so full of holes that he ought to be embarrassed. To take just one point – the introduction of ten-year, fixed-term appointments, then subsequently five-year terms. That this would not undermine the attraction of the police service as a vocation is patent nonsense.

Sir Patrick reveals that the expiry of the fixed terms would be used to get rid of officers only on the grounds of medical unfitness, gross misconduct, manifest incompetence or severance on structural grounds. He is not in a position to give such a guarantee and why should every single officer in the police service be placed under the psychological duress that a renewable fixed term appointment must bring?

It is not beyond any commercial or public sector organisation to devise procedures and systems which dispense with unsatisfactory employees on the above grounds, but without having to wave the threat of failure to renew a fixed term appointment. What Sir Patrick proposes does not apply in the rest of industry and is a *carte blanche* for management to control officers by fear and nepotism. This is no way to motivate or inspire officers.

I also have to make the point that even where contracts apply in other industries, terminated employees at least have the chance of re-employment with other firms and industries. There is only one police service, with its unique training skills and experience. After ten years or more officers are simply not equipped or young enough to be trained for alternative employment. That is why the police federations are logically (as well as emotionally) appalled at Sir Patrick's failure to understand the police service.

S J Beattie,
chairman,
Police Federation for Northern Ireland,
Garnerville Road,
Belfast BT4 2NX

Claims on London's taxes

From Mr Peter Tompkins.

Sir, Wealth, as measured by local gross domestic product, relates not merely to the local population ("London's tax burden criticised", July 27). In the reported comparison by the Centre for Economics and Business Research, London's GDP of $122bn is attributed to its 6.8m inhabitants. Yet a much larger population depends on London for its income. The Home Counties send hundreds of thousands of workers into the metropolis daily to work. It is inevitable that the crude London GDP per capita should be much higher than the British average.

Certainly, London has a good claim to a fair return from the Treasury for taxes paid by staff and businesses. So in part does the larger population on which London depends for its success. This is one reason why taxes exceed public expenditure in London and other urban centres. The challenge in public spending is to arbitrate between the conflicting demands of business and people for funds to be channelled to their needs.

Peter Tompkins,
7 Acton Street,
London WC1X 9LX

Swings and roundabouts

From Ms Ann Thwaite.

Sir, Ms Mary Campbell (Letters, July 27) claims that only rich (uncaring) parents would benefit from tax deductable child care. I am not rich but I can see the immediate benefit of paying less tax, or of being taxed only once. My salary is taxed, I pay the child minder and then she is taxed, so the money I earn is being taxed twice. A bit like VAT really, isn't it? And does Ms Campbell truly believe that the government would increase child benefit at a time when it is looking at ways to reduce its social security budget?

Surely this argument is all swings and roundabouts anyway. Either the government loses/pays more money and working parents benefit *or* working parents continue to pay more money and the government benefits.

Ann Thwaite,
11 Roden Gardens,
Croydon CR0 2DQ

Knock-out definition for diarist

From Mr Michael Prideaux.

Observer ("Sheehy's lore", July 26) intends to be offensive but actually needs a dictionary. The Oxford Concise, which is probably detailed enough for a diarist, defines "narcotic" as "(substance) inducing drowsiness, sleep, stupor or insensibility".

Perhaps Observer is writing a narcotic column!

Michael Prideaux,
director of group public affairs,
BAT Industries,
Windsor House,
50 Victoria Street,
London SW1H 0NL

Redress for long-forgotten work

From Mr Adrian P Hewitt.

Sir, It is clearly Proms season in your letters column too. I was delighted to be reminded of that long-forgotten work, Pascal's Wagner (Letters, July 26). Too gloomy and Germanic, however, to be representative of a now-reviving French philosophical-cum-musical tradition which always put the accent on lightness of touch, risk and extravagance. To redress matters, I hope to read that you will shortly be announcing the new production of Descartes' Ditties (arr. Attali). The first one goes: "Je dépense, donc je suis."

Adrian P Hewitt,
deputy director,
Overseas Development Institute,
Regent's College,
Inner Circle,
Regent's Park,
London NW1 4NS

Assessments of BS 5750 ignore quality assurance principles

From Mr Ian King.

Sir, Like many others, I am concerned about the issues addressed by Charles Batchelor in his article on BS 5750 ("A victim of its own success", July 21). However, I believe much of the criticism of BS 5750 centres around the costs and management of the certification process, rather than the quality assurance principles that the standard was originally designed to focus on. Many of the articles in the business press have little to say about this more important subject.

Having just achieved BS 5750:Part 1 registration for one of our businesses, my company's experience is that BS 5750 has given us a disciplined approach for establishing a documented quality management system, resulting in:

- a sound foundation on which to continue to build improvements to our client service;
- a model for reviewing our operational procedures, which gives everyone a common understanding of how we deliver our services;
- an opportunity to ensure that we consistently deliver the same service throughout our UK business by auditing our procedures;
- an ongoing requirement to review our quality management systems and change them in response to external demands.

Perhaps one way to enhance the credibility of BS 5750 would be to establish assessment criteria requiring evaluation of customer feed-back on the effectiveness of a company's service and the quality of its products or services.

After all, the main reason for focusing on quality must surely be continually to improve customer service.

Ian King,
director, quality development,
Noble Lowndes and Partners,
PO Box 144,
Norfolk House,
Wellesley Road,
Croydon CR9 3EB

FINANCIAL TIMES
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Thursday July 29 1993

Talk of the Bundesbank

THE BUNDESBANK remains determined to tease Europe's currency speculators. By cutting the repo rate by 20 basis point yesterday, the bank sent a strong signal that a discount rate cut is imminent. It then announced that no press conference is planned after today's council meeting. The absence of a press conference need not imply that the bank does not intend to deliver the interest rate cut which both Germany and Europe need. But the bank should not be too clever: whatever it does will need careful explanation.

Yesterday's repo rate cut comes at the end of a fortnight or more in which the parities in the exchange rate mechanism have been severely tested. It also came the day after German headline inflation rose to 4.3 per cent, twice its 1993 target, and a week after broad money growth rose to 7.1 per cent, outside the bank's target range of 4.5-6.5 per cent. If the Bundesbank fails to cut the discount rate, it will inevitably be accused of trying to sabotage the ERM. If it does cut today, then, judged by its own lights, the Bundesbank can also be accused of putting European politics above German price stability

The Bundesbank can avoid both charges. First, the bank should reaffirm that maintaining medium-term price stability in Germany remains its prime objective and will not be compromised by efforts to preserve current ERM parities. Second, it must show that a rate cut – of ¾ of a point or more – is consistent with this medium-term objective. The explanation might run like this.

The current rate of broad money growth and consumer price inflation will not determine the medium-term inflation rate, although they will set the price level at which inflation can be stabilised. Monetary growth is currently above target because of public borrowing to finance the government's budget deficit. Consumer price inflation is temporarily high, in large part, because of the government's efforts to close this deficit by raising indirect taxes and other charges.

The Bundesbank has tried, with much success, to offset this public demand for credit by squeezing private sector credit demand in west Germany. Real interest rates remain painfully high, private industry has suffered a severe recession and producer prices are falling. But there is a limit to the amount of damage that it is prudent to inflict to keep the overall price level down.

What matters is that the bank prevent this short-term rise in inflation from feeding into medium-term inflationary expectations. The evidence suggests that inflationary expectations are currently depressed. Pay settlements in the 1993 west German pay round averaged between 3 and 4 per cent. Long-term interest rates have fallen by over 2 percentage points since their 1990 peak and, at 6.6 per cent, are both below their long-run average and probably consistent with the bank's medium-term inflation target.

The Bundesbank should, of course, raise short-term interest rates immediately if long-term interest rates start to rise, wage inflation accelerates or the government's fiscal targets are missed. But, for the moment, Germany's inverted yield curve suggests a further cut in interest rates is prudent. Such a rate cut may prove enough to save the French franc's parity. But whether it does so is, ultimately, a matter for Paris, not Frankfurt.

Local government

THERE IS a common fallacy in politics that doing whatever the public says it wants will be popular. The reverse is often the case: seeking to please everybody can produce policies satisfying nobody. The Local Government Commission is discovering this in reviewing local government structures in England outside the large conurbations.

The commission has so far produced five reports recommending the replacement of 66 county and district councils with 24 unitary councils. In areas such as Durham and Derbyshire, they will be based on counties; in others such as Somerset and Gloucestershire, local government will be based on smaller districts. To complete the mosaic, two tiers of local government will remain in Lincolnshire, with district councils for street-level services and a county council for strategic services.

The commission's chairman, Sir John Banham, says the recommendations are based on people's feelings about where they belong. Since they are based on extensive polling of the population under review, that cannot be denied. Yet the proposals for unitary authorities appear to find little favour in the areas concerned.

Unsurprisingly, the loudest objections come from the councils to be abolished under the recommendations. But business leaders have also been scathing about creating small unitary authorities in areas such as Bristol and Middlesbrough unable to think strategically for urban areas forming single economic entities. And local residents' meetings say the larger unitary authorities that are proposed will be too remote to provide responsive services such as street cleaning and refuse removal.

Disturbed by the rising hubbub, the government is considering changes to the commission's remit. Mr John Gummer, the environment secretary, should ruminate on a MORI poll in Derbyshire as part of the review. Only 3 per cent of those questioned said sense of community should be an important factor in shaping local government. Much more important were a structure responsive to the wishes of local people, and the cost and quality of service.

This reinforces the need for a more coherent approach to the commission's work. England needs a system of local government that is capable of strategic action, can deliver local services responsively and is locally accountable. A two-tier model is the best way to achieve this, with larger strategic county councils and smaller districts to provide services. Yet this is the model the commission is largely scrapping. In reviewing its remit, Mr Gummer should abandon the opinion poll and reinstate reason as the driving force behind local government organisation.

Lesson for Israel

THE HISTORY of the past 15 years suggests that Israel's latest onslaught against southern Lebanon will again fail to achieve its main objective. In 1978 and 1982 Israel tried, at immense cost both to itself and to the people of Lebanon, to rid that fractured country of hostile guerrilla forces. The extent of those failures can be measured by the intensity of this week's renewed offensive.

This time Israel wishes to achieve a huge movement of population from the south. Latest estimates indicate that some 200,000 people have been driven from their homes. The villages and towns they have evacuated are being subjected to heavy shelling with the aim of making them uninhabitable. Mr Yitzhak Rabin, Israel's prime minister, believes that the mass of refugees will create pressure on the governments of Lebanon and Syria to curb the guerrilla activities of Hizbollah, the radical Shia faction, and its Palestinian allies.

Mr Rabin is as misguided about this as he was in December when he ordered 415 Palestinians to be deported from the occupied West Bank and Gaza. That action, and this week's more extreme military assault, not only threaten the faltering Middle East peace process but also play into the hands of those most opposed to it.

More damaging still, the punishment being inflicted on the civilians of Lebanon invites comparisons with what is happening in Bosnia. The forcible movement of entire populations, in defiance of international appeals, is not only morally indefensible but must also increase suspicions among Moslems that the West is at best indifferent, at worst hostile to them.

This is a propaganda gift to radical Islamic movements and governments, particularly Iran, which since the 1982 invasion has sustained and armed Hizbollah under the guise of aiding a national liberation movement. It has been having similar success in the other occupied territories, where Hamas is increasingly challenging the influence of the more moderate Palestine Liberation Organisation.

The lesson for Israel appears to be that the harsher its response to security challenges, the greater will be the radicalisation of the populations it is seeking to control. And it is precisely those populations which will ultimately decide the fate of the peace process.

Mr Warren Christopher, the US secretary of state, will shortly begin another visit to the region, aiming to move peace negotiations forward. For that to happen, Israel must be persuaded to make an explicit commitment to withdraw from the territory it occupies, in return for peace treaties with its neighbours. It is the only way to reverse the increasingly dangerous radicalisation of the region.

Muscle behind a counter offensive

Tony Jackson examines the logic behind a link-up of three of the world's biggest drug companies

Yesterday's triple alliance between Glaxo, Warner-Lambert and Wellcome is striking evidence of an industry under pressure. Around the world, governments have declared war on the cost of prescription drugs. Companies have responded by ransacking their cupboards for medicines that can be sold direct to the consumer without prescription. The link-up in over-the-counter (OTC) drugs between three of the world's big drug groups, while the most ambitious to date, is unlikely to be the last.

The most obvious effect of the industry's shift in strategy is to transfer power from the scientist to the marketing man. In terms of prescription drugs, Warner-Lambert is much the weakest of the three companies. But it is a giant in US consumer markets. Its advertising budget is the 11th largest in the US, supporting products such as Listerine mouth wash and Benylin cough syrup. It also has a 600-strong US sales force, and OTC sales around the world of $1.2bn. Wellcome has OTC sales of $400m and sells mostly through brokers. Glaxo has no OTC products and no sales force. It is therefore Warner-Lambert which dominates the joint venture.

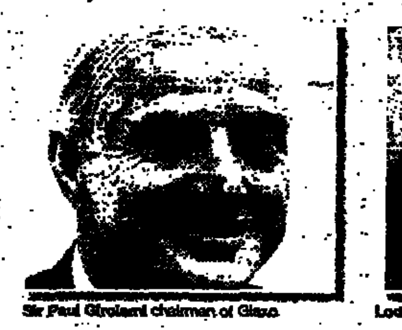
This is despite the fact that, by common consent of the parties, the chief attraction of the deal lies in forthcoming OTC products from Glaxo and Wellcome. Glaxo's Zantac, an ulcer treatment, is the biggest-selling prescription drug in the world. Zovirax, Wellcome's anti-viral treatment, is the eighth biggest. The aim is to sell Zantac as an indigestion pill, and Zovirax as a cream for cold sores or – in the US – as a pill for genital herpes.

Mr John Robb, Wellcome's chief executive, explained the logic yesterday. "The difference between the economics of prescription drugs and OTC medicines is that in prescription drugs, your big costs come before you reach the market. With an OTC product it's the other way round. The marketing cost in year one can be as big as your revenues, and it can take seven or eight years to get your pay-out."

Therefore, said Mr Robb, the trick is to build up consumer awareness of the drug in its last years on prescription. That way, it has a flying start when it is converted to OTC. Wellcome claims to have done this with its cough medicines Actifed and Sudafed, and to be doing it now with Zovirax. Indeed, all but one of the top 15 OTC medicines launched in the US since 1975 have been former prescription drugs.

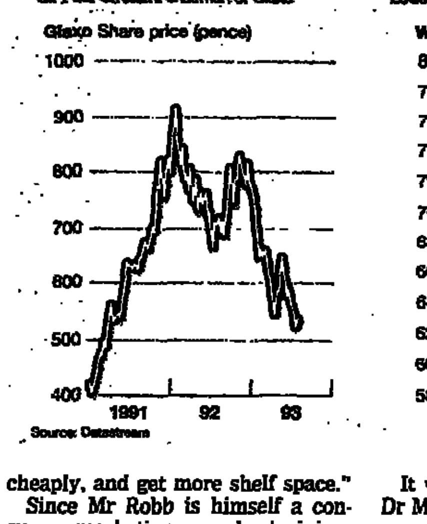
But it needs the marketing muscle of a Warner-Lambert to hustle them along. "With their operation behind us," Mr Robb said, "we're likely to get a much faster lift-off and better penetration with Zovirax than we would do through a handful of brokers. And Warner-Lambert can buy advertising much more cheaply, and get more shelf space."

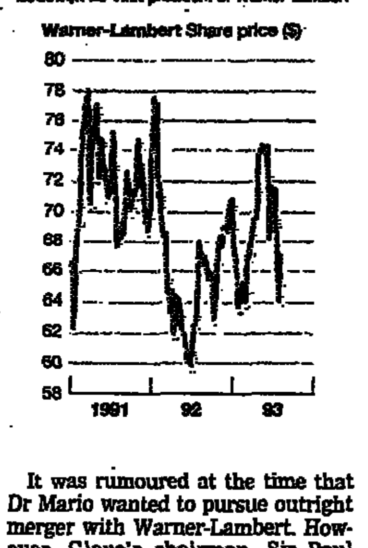
Glaxo, Warner-Lambert and Wellcome: transatlantic alliance

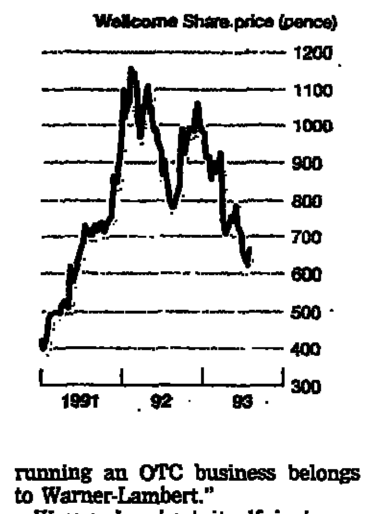

Sir Paul Girolami chairman of Glaxo


Lodewijk de Vink president of Warner-Lambert


John Robb chief executive of Wellcome







Since Mr Robb is himself a consumer marketing man by training, it is hard to believe he does not chafe at being junior partner in the venture. But he treats the fact stoically. "I couldn't see any other way into it. We are just not in the first flight of consumer marketing companies, and it would take a huge investment to get there. There is no one you could think of making a hostile bid for, and no pharmaceutical company wants to sell its OTC business. And as OTC approvals for Zovirax started coming through, we risked missing the market opportunity."

When it comes to Glaxo, the motivation is more complex. Its negotiations with Warner-Lambert began independently from Wellcome's. Its strategy was also very different: indeed, strategic differences within Glaxo may have contributed to the abrupt and somewhat mysterious departure in March of Dr Ernest Mario, Glaxo's chief executive.

It was rumoured at the time that Dr Mario wanted to pursue outright merger with Warner-Lambert. However, Glaxo's chairman, Sir Paul Girolami, remains a stubborn advocate of the virtues of prescription medicines. Yesterday's deal means that Glaxo will wash its hands of the OTC future of Zantac and its other drugs, leaving their development to Warner-Lambert and Wellcome.

Dr Franz Humer, Glaxo's chief operating director, yesterday stuck to the Glaxo line. It would be wrong to blame Dr Mario's departure on differences over the deal, he said. The reasons for his departure were many and varied. "We are convinced that the prescription drug market will continue to be a very healthy and growing one," he said. "We want to concentrate all our resources, and the £700m we spend on research and development, on innovative ethical [ie: prescription] pharmaceuticals. This deal clearly recognises that the know-how for running an OTC business belongs to Warner-Lambert."

Warner-Lambert itself is in no doubt of the value of its catch. Mr Mel Goodes, the chairman, was clearly in a jubilant mood as he announced the deals yesterday. While he refused to estimate the income that would flow to his company from the agreements, he said "in aggregate, they have the potential of adding hundreds of millions of dollars to our annual sales line".

The company claims that a treatment for genital herpes which is available for immediate purchase from a pharmacist would "eliminate thousands of doctor's visits" and give sufferers access to the product at an early stage when it is most effective. This would make the switch of the product to OTC status attractive, "as governments look to curb their health care bills", said Mr John Walsh, head of the company's consumer products division.

While the new joint venture will still rank only third in the world of OTC products, behind Johnson & Johnson and American Home Products, it ties in with the strategy of extending the range of products sold through Warner-Lambert's existing network, as enunciated by Mr Goodes soon after he became chairman two years ago.

On the other hand, Zantac and Zovirax are unlikely to be on sale in US before 1996 at the earliest. According to Warner-Lambert yesterday, a submission will be made to the US Food and Drug Administration in August to sell OTC versions of both products, with approval expected in 1994 or 1995.

It might also be asked how profitable they will be. Despite Zantac's huge success as the world's biggest prescription drug, when it comes to the OTC market it will be entering a crowded field. SmithKline Beecham's Tagamet, an older ulcer drug with an almost identical action, has already been cleared for OTC sale in the UK and has been submitted for clearance in the US. A third drug with a similar action, Pepcid, has been submitted for OTC approval in the US by Merck, the biggest prescription drug company in the world.

According to Mr Robb of Wellcome, US margins on OTC medicines are good by consumer product standards, though not by comparison with prescription drugs. "They shouldn't drop below 15 per cent before tax," he said yesterday. "It would also be unusual if they went above 20 per cent. That's very respectable. And who knows where prescription drug margins are going to go? I suspect they'll be more under attack than the OTC side."

However, past OTC margins need not be a guide to the future. It is worth recalling that as recently as the late 1980s, drug companies thought the answer to government pressure on prices was to merge their prescription businesses, as SmithKline did with Beecham and Bristol-Myers did with Squibb. Now, the trend is to get together with consumer groups. Thus, the pharmaceuticals group Syntex has already formed a marketing alliance with the consumer products giant Procter & Gamble, and Merck has an OTC agreement with Johnson & Johnson.

The danger may therefore be that too many companies are heading the same way at once. Collectively, the drug industry has enormous resources and huge piles of spare cash. Now that their traditional prescription business is under threat, the industry giants have the capacity to unleash consumer marketing wars on an unnerving scale. In staying clear of the hurly-burly, Glaxo is being typically contrarian. Just conceivably, though, it may have a point.

Additional reporting by Richard Waters and Paul Abrahams

Why the EMS deserves an early burial

PERSONAL VIEW

By Olivier Blanchard, Rudiger Dornbusch, Stanley Fischer, Franco Modigliani, Paul A Samuelson and Robert Solow

The current turmoil in the currency markets and the broader crisis of rising unemployment in Europe is the most striking evidence yet that European monetary policies and exchange rate arrangements are profoundly counterproductive.

By far the most important factor responsible for this debacle is the Bundesbank's policy of high interest rates, combined with certain features of the European Monetary System which have forced other member countries to follow suit: these include the mobility of capital across member countries and the fact that central banks have interpreted the rules of the exchange rate mechanism to require not only the maintenance of fixed exchange rates but also the avoidance of parity adjustments.

The result of high interest rates across Europe has been that unemployment has risen to record levels. Governments have done little but seek a variety of excuses for the loss of jobs. It looks as if the 1930s are being re-enacted. Then, it was felt to be imperative to hang on to gold at any price: today the feeling is to hang on to the D-Mark.

It is not useful to spend too much time allocating blame – on a Bundesbank that fights inflation of "only" 4 per cent, on EMS member countries such as France, which opts for a hard currency at the price of an entirely unwarranted recession, or on a country like Spain, which believes that being in Europe means being a member of the ERM.

In our view, the essential issue is for the EMS countries to shift priorities, putting unemployment at the top of the list and recognising that much labour can be reabsorbed through reflationary policies, beginning with a sharp cut in interest rates.

Of course, countries would have to accept the depressing implications that such a move would have on their exchange rate with the D-Mark, without committing their reserves in an attempt to support the current parity. This means they must be prepared to see their exchange rates fall below their lower limits, and hence face ejection from the ERM.

Ideally it might be hoped that France would take the initiative by slashing interest rates and letting the franc float. Other European countries, including Belgium and Spain, would follow. At this point two possible scenarios are conceivable: the first is that, faced with the prospect of a sharp loss in competitiveness, Germany would limit the damage by cutting interest rates. Within just a few weeks the long-awaited cut in European interest rates would have materialised.

Second, the Bundesbank would refuse to cut rates beyond another token amount, and then Germany would be left alone in the ERM (thereby floating too). This would mean the end of the EMS as presently constituted. But this should not be a cause for regret.

To be sure, there was a time when the ERM, with fixed parities and Bundesbank leadership, performed a very useful function. But in their quest for moderate inflation, countries adopted an unwavering D-Mark peg, which is now becoming a problem.

There is no reason to equate yielding on existing ERM parities with sacrificing the entire anti-inflationary effort of the 1980s. France has no inflation problem – unlike Germany. France can, therefore, afford to do without the recession which the Bundesbank feels it must impose on Germany. Spain has a phenomenal unemployment problem which should be the immediate focus of attention, not a currency peg that is killing growth and prosperity.

Some might bemoan the ensuing incapacitation of the EMS as a rude shock to the dream of European unity. But such a concern is unwarranted.

First, the central element of the European Community is the set of common market institutions, and these should and would remain in place even if the EMS were temporarily impaired. Second, plans for European monetary union are already in tatters. Thus, leaving the present system would only acknowledge a truth that many in Europe refuse to face. Forsaking the present arrangements is the only way to move quickly towards a new European monetary system in which a crisis such as the current one cannot be repeated.

The authors are professors of economics at the Massachusetts Institute of Technology, Cambridge, Massachusetts, US

OBSERVER

Strong soap washed out

■ The British public's excitement at their prime minister's use of the word "bastards" must be incomprehensible to the Brazilians, who plainly look for stronger entertainment at the hands of their politicians.

For example, they have long been breathlessly awaiting a new television soap opera called The Maharajah. Scheduled for prime-time screening, it weaves newsreel footage of the rise and fall of the impeached Fernando Collor into a plot about a woman reporter stumbling across a financial scam intended to keep a head of state in power for 30 years.

Oddly enough, not only does the actor in the name role bear a remarkable likeness to the disgraced ex-president, but the actress playing the Maharajah's wife closely resembles the country's former first lady. Since the word "Collor" never occurs in any of the episodes, however, the producers believed they would escape legal difficulties.

The belief has just been rudely shattered. To the dismay of the country's TV viewers, the courts have granted an injunction banning the screening to lawyers acting for Collor, who's now awaiting criminal trial on corruption charges.

Nevertheless, the producers aren't letting the banners get them down. They're confident their lawyers will soon get the injunction overturned, they say, and the publicity generated by the legal battle will set the soap-loving Brazilians positively bubbling with expectation.

Changing station

■ Will Gianni Locatelli, Italy's rising media star, find his next challenge as easy to master as his last one?

During his editorship of Sole 24, Italy's pink financial daily, sales have doubled and the paper has become essential reading.

But RAI, Italy's state broadcasting corporation, could be a far tougher nut to crack. As the new director-general, Locatelli inherits an organisation which exhibits one of the most flagrant examples of the way the political parties carved up the institutions of state.

The Christian Democrats control the main TV channel, the Socialists the second and the third has been handed as a sop to what were once Communists.

Locatelli's brief is not only to introduce greater objectivity in news and limit the politicking but also to tackle the organisation's disastrous finances and overblown staff. This could mean cutting the number of state channels to two, and preparing for a more general broadcasting reform that would also reduce Silvio Berlusconi's near monopolistic grip on commercial television.

It makes John Birt's job at the BBC look a doddle.

'By the end of the week the prime minister will be calling us all bastards'

Gloom boom

■ Next to a hole in the head, there's surely nothing the Brits need like the latest sociological yardstick produced by Mori opinion polls – a monthly Misery Index.

Alas, the FT can't claim to be free of blame for the development, because the misery measure is calculated from the fear of redundancy index printed in this paper together with the economic optimism index published in The Times.

The combined result represents the average numbers of people polled expecting further recession and either potentially or actually out of a job.

What it shows is that the national heart is steadily sinking, now up to 33 per cent last month from April's 27 per cent, with all ages and classes as well as both sexes becoming equally steeped in gloom.

Indeed, the only exceptions to the uniformly unhappy pattern are the Scots.

They're gloomier still.

Nosey

■ Meanwhile the Wickert Institute, which regularly polls the Germans on anything from their political preferences to how often they laugh, has just discovered that one in three of them is bothered by fellow-citizens' "disagreeable perfume".

The sniffiest are the unmarried; those in wedlock being "mostly less exposed to bodily contact or simply more tolerant", the institute somewhat arcanely explains.

There are also differences by occupation. For example, only 30 per cent of farmers, no doubt distracted by earthier smells, make complaints about such olfactory offences. But those paradigms of pedantry, public officials, turn up their noses at the rate of 49 per cent.

Cayzer-speak

■ The plebs rarely attend AGMs of Caledonian Investments, the publicly quoted arm of Lord Cayzer's family fortune. But yesterday's affair was even more rarefied than usual. What on earth was John Kemp-Welch, joint senior partner of Cazenove, going on about when he lapsed into Latin during the customary vote of thanks?

Cayzer family retainers note that the last time it happened was in 1987 when Kemp-Welch uttered a dictum which translated roughly as "the past has been magnificent but let us hope that the best is yet to come".

But what inspired his latest outburst, ending with the immortal words "nihil adhuc non vidistia" – was the Wykehamist broker reflecting the wisdom of Pliny, Horace...or whom?

More like Ronald Reagan, Kemp-Welch admits.

Bridling

■ A horse walks into a western saloon, tapping its hoof impatiently when the bartender just goes on joking with other customers.

Eventually he comes over. "Why the long face?" he says.

FINANCIAL TIMES
Thursday July 29 1993

Russian central bank move was 'useless'

Finance chief vows to overturn rouble reform

By John Lloyd in Moscow

MR BORIS Fyodorov, the Russian deputy prime minister and finance minister, yesterday vowed to fight to annul the central bank's "useless and unjustified" decision to withdraw all pre-1993 roubles from circulation. He also demanded the resignation of Mr Victor Gerashchenko, the central bank chairman.

In uncompromising mood, Mr Fyodorov emphasised: "There is one person who is guilty: that is Victor Vladimirovich Gerashchenko; his actions are senseless, even I would say stupid. Not one economist or one banker in the whole civilised world would take a decision like this."

Within hours of returning to Moscow from Washington, Mr Fyodorov said western officials were also concerned over the central bank's action.

"Only two weeks after we returned from the Tokyo summit [at which $44bn in foreign aid was pledged to Russia's reform] this decision is taken. This again tells the whole world that we are an untrustworthy partner. There were calls to suspend aid to Russia," he said.

Earlier yesterday, the presidium of the Russian parliament said it was cancelling the bank's decision. It said all limits for changing old money into new had been scrapped and that all trading outlets must accept pre-1993 banknotes. However, Mr Fyodorov yesterday dismissed the parliament's announcement, saying the president must abolish the bank's initial decision.

Mr Fyodorov admitted that he had no way of exercising leverage on Mr Gerashchenko or the bank itself – since it is constitutionally under the control of the parliament.

The finance minister said Mr Yeltsin had not been told of the bank's move before it had been made, and said Mr Viktor Chernomyrdin, the prime minister, and his cabinet colleagues, were informed only hours before it was announced. Citing a report on the bank by the accountancy firm Coopers & Lybrand, which highlighted unexplained "distortions" in the bank's accounts for last year, Mr Fyodorov said: "It cannot be ruled out that behind this are some criminal aspects. Hundreds of billions of roubles were moved to the other republics without being accounted for."

Mr Larry Summers, the US Treasury undersecretary for international affairs, yesterday called for a strong protest to be lodged by the Group of Seven industrial countries. His suggestion, however, was vetoed by the G7 foreign ministers, including Mr Warren Christopher, the US secretary of state.

In a separate decision, the presidium also cancelled Mr Yeltsin's decree sacking Mr Viktor Barannikov, the security minister, for corruption and failure to react promptly to attacks on border guards on the Tajikistan/Afghanistan border.

LDP in Japan on verge of losing power

By Robert Thomson in Tokyo

JAPAN'S Liberal Democratic party is on the verge of losing power after seven opposition parties yesterday agreed to support a joint prime ministerial candidate and form a coalition government.

Two parties holding the balance of power, the Japan New party and the New Harbinger party, said yesterday they had no intention of backing the LDP, which needs their votes in a parliamentary session to appoint a new prime minister next week.

If the seven opposition parties do not falter in the next few days, the LDP will lose office for the first time since 1955, although the new coalition is comprised mostly of conservative parties unlikely to want sudden changes in economic and foreign policy.

The ideological exception in the seven is the Social Democratic party, formerly the Japan Socialist party, which wants the disbanding of the Japanese military, takes a tougher foreign policy line against the US and supports totalitarian North Korea.

But the seven parties have been able to form a coalition by agreeing not to talk about the SDP's more controversial policies and concentrating their discussion on overhauling the scandal-tainted political system and toppling the LDP, which is continuing to lose members.

Three MPs left yesterday and further resignations are likely in the next week, with most defectors planning to join the Japan Renewal party, run by Mr Tsutomu Hata, the former LDP faction head who brought down the government of Mr Kiichi Miyazawa and forced a general election, on July 18.

Apart from the JRP, the SDP, the JNP and NHP, the coalition includes the Komeito, backed by the Buddhist movement, the Democratic Socialist party and the United Social Democratic party. The seven parties concede that their planned partnership could be shortlived and that another general election is possible within a few months.

Two candidates formally applied yesterday to replace Mr Miyazawa in the LDP presidency, to be decided at a party meeting tomorrow. Mr Michio Watanabe, 70, the former foreign minister, is competing, although he is in poor health, while Mr Yohei Kono, the chief cabinet secretary, was asked by party elders to stand.

In the past, selection as LDP president has also carried the title of prime minister, but the successful candidate must face a challenge in parliament next week from the coalition's candidate for the leadership. At present, the LDP is certain of receiving 224 votes, while a stable coalition can count on 245 votes.

Brussels relaxes stance on Italian state industry debts

By Robert Graham in Rome and Lionel Barber in Brussels

THE European Commission has reached preliminary agreement with Italy, allowing the government to repay L7,000bn ($4.34bn) to creditors of Efim, the state industrial holding.

The deal was struck by Mr Beniamino Andreatta, the Italian foreign minister, and Mr Karel Van Miert, EC commissioner in charge of competition. It is part of a trade-off in Italy's dispute with Brussels about state subsidies, particularly those for Ilva, the lossmaking state steel group.

On Tuesday, Mr Andreatta relaxed Italy's stance on Ilva and agreed to withdraw plans to write off Ecu4bn ($4.5bn) of debt. The Italians believe Brussels has been blocking an Efim agreement to exert pressure in the Ilva affair.

Italy now has until August 14 to present fresh proposals for Ilva's future, which will be studied in late September. Until the EC is satisfied with the Ilva plan, it could delay formalising an agreement on Efim.

> THE European Commission yesterday agreed to claw back Ecu2.3bn ($2.59bn) in unnecessary subsidies to Italy, Greece and Spain for failing to enforce milk production quotas in the 1980s, Lionel Barber writes from Brussels. The penalties are among the most severe recently, but fall short of the original Ecu5.38bn in excess spending incurred by the EC between 1984 and 1992. The reduced penalty was settled on partly because the three states have pledged to respect new rules to curb overproduction. Report, Page 2

Yesterday's agreement came too close to the summer recess for details to be worked out. Disbursements to banks and suppliers are unlikely to begin before late September.

Efim was placed in liquidation last July with L18,000bn debts split roughly equally between banks and suppliers. Foreign banks are owed more than L3,500bn.

The Italian parliament approved disbursement of L9,000bn during three months to Efim creditors; but since then Brussels has only given the go ahead for L2,000bn to the defence side of the state holding.

Mr Van Miert blocked the funds on the grounds that repayment of Efim's accumulated debts represented a form of subsidy. The Italian government argued that it was legally bound to honour Efim debts.

The outline agreement sees the Italian government honouring Efim debt accumulated at the time of liquidation, plus subsequent interest and refinancing arrangements. The government will be placing some L4,000bn in the 1994 budget to cover liquidation costs which may reach L17,000bn.

Italy will provide a privatisation timetable and precise levels of state company indebtedness. The latter's debt at the end of December 1993 will be considered a maximum ceiling. Thereafter the Italian government must be seen to be reducing debt.

Piëch attacks GM in row with VW

Continued from Page 1

company". A recent press release from the prosecutors, which linked Mr López with confidential GM group data found in four boxes in a Wiesbaden house formerly occupied by two of his so-called "warriors", was "tainted with one-sidedness", Mr Piëch charged.

It had led to unlawful public prejudgment of Volkswagen.

The boxes had been "in other hands" in the time between Mr López's colleagues leaving the house and the delivery of the material by "unknown" and "indirect" ways to the police, he claimed.

The prosecutors' office, which had described earlier VW complaints as "incomprehensible", said yesterday: "We are absolutely sure of our facts."

On the Frankfurt stock market, the VW share price closed up DM11.70 at DM359.70, while other German car makers fell sharply and the blue-chip Dax index dropped more than 11 points to 1,833.91.

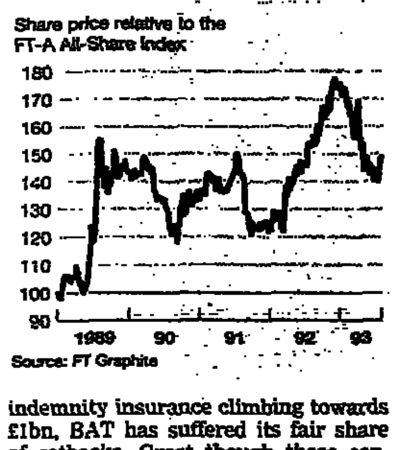
THE LEX COLUMN

Drug dealing

FT-SE Index: 2884.2 (+4.8)

BAT Industries

Share price relative to the FT-A All-Share Index



Source: FT Graphite

The frenzy of deal-making among pharmaceutical companies is a recognition that returns on investment in new drugs will be lower than in the past. Making the most of existing products and looking for profits elsewhere is a natural response. Governments taking a tough line on the cost of prescription medicines are also encouraging patients to buy medicines over-the-counter. So the triple alliance between Wellcome, Glaxo and Warner-Lambert has a compelling logic.

Merck has already addressed the OTC market by linking with Johnson & Johnson. Its decision to spend $6bn buying one of its biggest customers is more difficult to fathom. Such vertical integration has worked in other markets, but it remains open to question whether Medco can defend its share of mail-order medicines once its independence is called into question. Mr Richard Markham, who resigned unexpectedly as Merck's chief executive earlier this month, may have harboured similar doubts.

Both Wellcome and Glaxo are surrendering profits from potential OTC medicines – based on the Zovirax anti-viral treatment and ulcer drug Zantac respectively – in exchange for Warner-Lambert's experience and clout in consumer marketing. But while Wellcome is taking an equity stake in what will be one of the world's largest consumer healthcare companies, Glaxo is sticking resolutely to its guns as a prescription drugs company. If that dispels lingering fears of a big acquisition in consumer healthcare, so much the better.

Zovirax has already won OTC approval in several countries and should have a free run of several years before competition comes along. An indigestion remedy based on Zantac is at best three years away – pending regulatory approval, which is by no means certain – and could be second or third on to the market. The 4 per cent rise in Wellcome's share price yesterday, against a 2 per cent rise in Glaxo, thus looks a measured response. The days when prescription drugs companies could afford to look down on margins earned in consumer markets have clearly passed.

BAT Industries

Sir Patrick Sheehy's lot is not a happy one. With Philip Morris playing merry havoc in the US cigarette market, the Bishopsgate bomb blowing a £24m hole in Eagle Star's profits, and the cumulative losses from mortgage indemnity insurance climbing towards £1bn, BAT has suffered its fair share of setbacks. Great though these concerns may be, however, they still represent relatively minor pinpricks in BAT's thick corporate hide. Sir Patrick's greater grouse must be that the stock market steadfastly refuses to ascribe a 'fair' value to BAT's underlying cash stream. The wave of negative sentiment has largely obscured the marked cyclical upswing in BAT's insurance business.

Despite the recent bounce, BAT's shares have still underperformed the market by 12 per cent since the start of the year, while the composite insurance sector has outperformed by 6 per cent. Despite praiseworthy efforts to release shareholder value, BAT remains a stock market anomaly. Applying a pure tobacco company multiple to the earnings BAT derives from tobacco suggests its insurance interests are seriously undervalued. The reverse exercise of valuing BAT's insurance businesses, however, implies its tobacco interests are almost thrown in for free.

A minority flotation of BAT's tobacco businesses would surely represent one means of realising additional value. Yet it seems doubtful BAT would take the step without external stimulus. Sir James Goldsmith, where are you now?

Lloyds Abbey Life

The inexorable rise of bancassurance has been at least slowed by recession. Black Horse Financial Services, which sells to Lloyds Bank customers, had little more luck selling regular premium savings products in the first half of the year than other life insurance companies. Unit trust sales took up the slack as savers moved out of low-yielding deposit accounts. But that business offers lower margins than selling traditional life products, and might be expected to tail off.

The question, then, is whether Black Horse will regain momentum as the economy turns. The tougher disclosure rules proposed by the Treasury might help. Lower administration and sales costs should be more of a competitive advantage once customers are presented with such information in clear terms. This is assuming Black Horse can come up with a convincing formula of what its sales costs are. But having made an initial trawl through its captive audience of Lloyds' customers, it may find winning new business tougher from here on.

UK gilts

The Bank of England was lucky in its timing of the latest gilts auction. It coincided both with the currency tension in Europe, which has given sterling a safe haven status, and with heightened expectations of lower interest rates following Tuesday's CBI survey. There is no doubt that these factors boosted demand, especially since the market was over-sold last week in the run up to the sale.

Sterling's strength may prove less of a support if calm returns to the ERM following today's Bundesbank council meeting. Base rate hopes may continue to shore up short gilt prices for a while, providing the Bank with additional funding opportunities. That would reinforce the impression that its efforts are concentrated towards the short end of the maturity spectrum where rates are cheaper. Although the Bank has carefully eschewed the US example of making this an explicit policy, it may still worry that borrowing over 25 years at rates around 8 per cent implies little faith in its own anti-inflation stance. Or it may simply believe that borrowing long could become cheaper still.

But the luxury of choice is limited. Recent auctions have met heavy demand from overseas buyers who favour short to medium-dated stock. Eventually this demand will abate. The Bank may then have to target domestic institutions who prefer long-dated paper. The risk is that something could have happened by then – like the first sign of higher wage inflation, for example – to have sent the gilt market's rally into reverse.

FT WORLD WEATHER

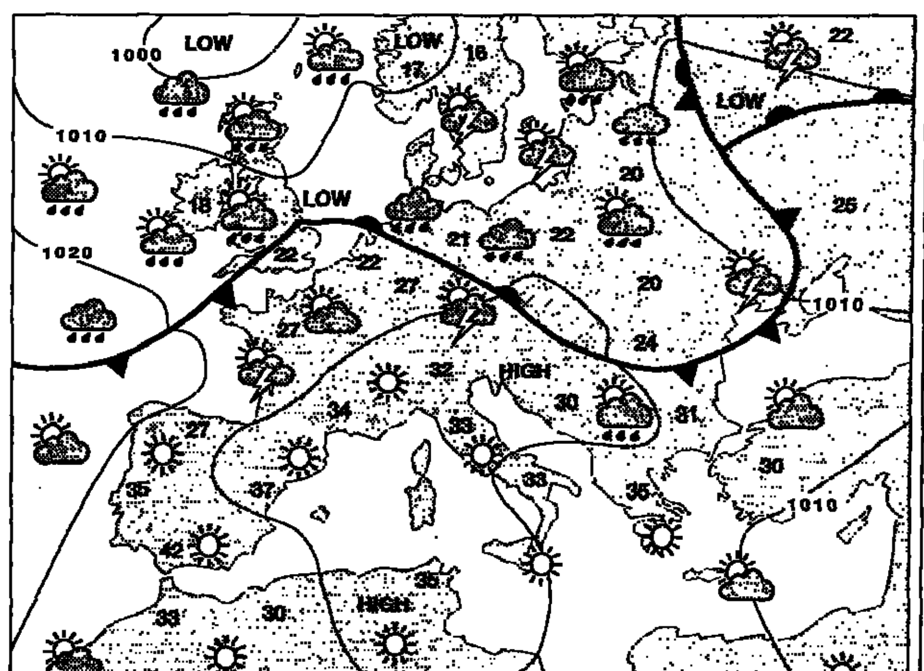
Europe today

A frontal system over the eastern Atlantic extending toward the Low Countries and the eastern Alps will cause cloudiness with outbreaks of rain. The front will separate warmer air in the south from very cool and unsettled conditions in northern and north-western Europe. Over Britain, a moist westerly flow will cause showers interspersed with some sunny spells.

Over the Balkan states it will be warm again, but some thunder showers will occur in the afternoon. High pressure will influence the Mediterranean with abundant sunshine and afternoon temperatures well above 30C. In parts of southern Spain readings will be around 40C at some locations.

Five-day forecast

A few showers will develop in a moist westerly flow over Britain, but sunny spells will occur as well. It will remain warm and mostly sunny in the Mediterranean with some thin scattered clouds. By Friday and Saturday, low pressure between Scotland and Norway will influence north-western Europe, resulting in cool and unsettled conditions. However, high pressure over the Atlantic will build towards central Europe by Sunday and Monday, causing most of the showers to dissipate.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	43
Accra	cloudy	28
Algiers	sun	35
Amsterdam	cloudy	21
Athens	sun	34
Bangkok	fair	35
Barcelona	sun	31
Beijing	shower	28
Belfast	shower	18
Belgrade	thund	30
Berlin	shower	21
Bermuda	fair	29
Birmingham	cloudy	21
Bogota	fair	18
Bombay	shower	30
Bordeaux	sun	33
Brussels	shower	24
Budapest	fair	27
Buenos Aires	cloudy	11
Cairo	sun	36
Cape Town	shower	17
Caracas	fair	27
Chicago	sun	27
Cologne	cloudy	26
Copenhagen	cloudy	20
D' Salaam	fair	29
Dakar	fair	30
Dallas	sun	38
Darwin	fair	31
Delhi	fair	35
Dubai	sun	42
Dublin	shower	19
Dubrovnik	fair	33
Edinburgh	shower	20
Faro	sun	33
Frankfurt	fair	28
Geneva	shower	32
Glasgow	shower	18
Hamburg	rain	20
Helsinki	fair	20
Hong Kong	thund	31
Honolulu	fair	30
Isle of Man	shower	16
Istanbul	fair	30
Jersey	rain	17
Karachi	fair	33
Kuwait	sun	45
La Paz	fair	16
Las Palmas	sun	30
Lisbon	sun	36
London	rain	23
Los Angeles	fair	27
Luxembourg	fair	26
Lyon	fair	33
Madeira	sun	26
Madrid	sun	39
Majorca	fair	35
Malta	sun	33
Manchester	shower	19
Manila	thund	31
Melbourne	fair	17
Mexico City	fair	22
Miami	thund	34
Milan	sun	33
Montreal	rain	26
Moscow	shower	24
Munich	fair	29
Nairobi	fair	24
Naples	sun	33
Nassau	shower	31
New York	fair	33
Nice	sun	27
Nicosia	fair	34
Oslo	cloudy	21
Paris	fair	29
Perth	shower	15
Prague	cloudy	24
R' de Janeiro	rain	23
Rangoon	shower	32
Reykjavik	rain	14
Riyadh	fair	44
Rome	sun	31
S' Francisco	sun	21
Seoul	cloudy	27
Singapore	rain	30
Stockholm	fair	20
Strasbourg	fair	30
Sydney	shower	16
Tel Aviv	sun	33
Tokyo	fair	32
Toronto	fair	26
Tunis	sun	35
Vancouver	shower	19
Venice	fair	30
Vienna	thund	27
Warsaw	fair	22
Washington	fair	35
Wellington	shower	13
Winnipeg	sun	28
Zurich	shower	29

FINANCIAL TIMES

COMPANIES & MARKETS

Thursday July 29 1993

INSIDE

Tandem reduces workforce by 15%

Tandem Computers plans to make redundant about 15 per cent of its workforce as it restructures. The company took a $451m third-quarter charge and reported an operating loss. Meanwhile Digital Equipment reported increased earnings for its fourth quarter. Page 13

Kodak develops confidence

Eastman Kodak, in the throes of restructuring, reported a 3 per cent increase in second quarter net income and struck a cautiously optimistic note for the rest of the year. Page 13

Du Pont disappoints

The US chemicals group, Du Pont, yesterday posted second quarter net income of $516m, with declining underlying earnings from all main businesses except petroleum. Page 14

Fed attacks G30 report

In New York, in the first official reaction by the Federal Reserve to the G30 report on derivatives, vice chairman Mr David Mullins said proper supervision of the industry would need stronger regulation than now existed. The Tokyo Stock Exchange has drafted new restrictions for the futures market in a bid to end criticism of the negative effects of futures and options trading. Page 16

BT warns despite 3% rise

British Telecom reported a pre-tax profit of £757m in the quarter to June 30, a 3 per cent increase but sounded a warning note on the regulatory and competitive pressures it faces. Page 18

ICI looks ahead

Imperial Chemical Industries, flagship of British manufacturing, today outlines future strategy and announces its first results without Zeneca, its recently floated bioscience operation, which is finding independent life hard going. Page 20

US farmers get the bird

African farmers have long realised the potential of ostriches, with their coloured feathers, about 300lb of red meat and delicious eggs. But in the US ostriches have only recently become a hot commodity. Page 22

Pakistan bull run ends

Pakistani equities fell yesterday, ending the bullish fervour which began with the appointment on July 18 of a new interim government. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Taittinger	1875	+	75
Rises				**Falls**			
Horten	187	+	8	Bancaire Cie	524	–	13
Volkswagen	359.7	+	11.7	Eaux Cie Gen	2130	–	60
Falls				Legris	174.9	–	9.9
Colonia Konz Pf	730	–	25	Orsan	163.5	–	6.5
Preussag	422.5	–	7.5	**TOKYO (Yen)**			
Schwalbach Lub	340	–	7	**Rises**			
Viag	425	–	11.5	Asahi Optical	460	+	18
NEW YORK ($)				Nippon Seisen	565	+	73
Rises				Sega Ent	10700	+	400
Eastman Kodak	52⅞	+	1⅝	Seiyo Food Sys	1170	+	50
Ford	61⅛	+	⅜	**Falls**			
General Motors	27¾	+	1⅛	Dowa Fire & Mr	673	–	20
Medco	35¼	+	5⅝	Tokyo B'casting	1440	–	80
Falls							
Chrysler	41⅞	–	2⅜				
Merck	30⅝	–	1¼				
PARIS (FFr)							
Rises							
Elf Aq'tain Cts	354.9	+	7.9				

New York prices at 12.30 pm.

LONDON (Pence)				Wellcome	696	+	31
Rises				**Falls**			
Acorn Computer	110	+	5	Andrews Sykes	100	–	17
Assoc Nursing	240	+	14	Ashley (Laura)	94	–	5
Banks (SC)	218	+	21	Caplin	151	–	12
City of Lon PR	75	+	10	Holt (Joseph)	2900	–	200
Cosalt	113	+	5	Prestwick	29	–	12
Cranswick	167	+	10	QS Hldgs	185	–	30
First Nat Fin	78	+	6	Radius	44	–	12
GBE Int	69	+	5	Reliance Sec	111	–	10
Goode Durrant	93	+	7	Wace	131	–	7
Lendu Hldgs	20	+	3½	Wembley	11½	–	2
Schroders NV	945	+	35				
Swallowfield	106	+	8				
Union Discount	169	+	9				

Merck pays $6bn for drugs distributor

By Richard Waters in New York

MERCK & CO, the world's biggest pharmaceuticals company, yesterday announced the $6bn acquisition of Medco Containment Services, one of the US's largest distributors of drugs.

The acquisition, the first example of vertical integration between a large-scale manufacturer and distributor in the US, will give Merck greater control over its sales just as pressure on healthcare costs has squeezed drugs companies' margins.

Medco, based in Montvale, New Jersey, is a fast-growing mail-order company. It supplies the employees of many of the largest US corporations – including General Motors and General Electric – with drugs under their company healthcare plans. Mr Martin Wygod, chairman and founder, estimated that the company would account for 12 per cent of total drug sales in the US this year.

Explaining the acquisition, Merck chairman Mr Roy Vagelos said: "The current system of pharmaceutical care is largely unco-ordinated and unmanaged", resulting in over-prescription and waste. The takeover was "consistent with the goals of the Clinton administration" to reduce US healthcare costs.

US companies have turned to intermediaries such as Medco to help bring down their healthcare costs. As a bulk buyer of drugs, Medco can negotiate large discounts.

Medco also reviews the drugs that doctors have prescribed to patients covered by its schemes and, where suitable, recommends cheaper products that achieve the same results.

In an attempt to protect Medco's extensive customer base, the two companies said that Medco would continue to provide drugs produced by other manufacturers. Medco will retain its name and operational independence, while Mr Wygod will join the Merck board. He has agreed to take Merck shares in return for his own substantial holding.

Medco shareholders are being offered $39 in cash or 1.214 Merck shares for each Medco share they own. Allocations will be adjusted so that, in total, 60 per cent of the transaction is paid for with Merck paper and the rest in cash. The cash element of the deal may be reduced to as little as 20 per cent to ensure the transaction is accorded tax-free status.

Merck said it would pay for the acquisition by issuing paper and by borrowing through the commercial paper and medium-term note markets. Its shares lost $1¼ on the news to trade at $31, while Medco shares jumped $5⅝ to $35¾.

Nomura bails out property affiliate

By Gordon Cramb in Tokyo

NOMURA Securities, one of the world's largest stockbrokers, yesterday joined the list of Japanese financial institutions forced into costly corporate restructuring by the collapse of property prices.

It is bailing out a troubled property lending affiliate – Nomura Finance – by merging it with another offshoot. The move will entail the write-off of Y200bn ($1.87bn) in bad loans.

The demise of Nomura Finance is a further indication of the problems besetting non-bank financial institutions in Japan. It follows moves by commercial banks to ease the burden of their non-bank subsidiaries, and could form a precedent for other brokerage houses which are similarly afflicted.

The bail-out is the second blow in a week for Nomura – last Thursday Mr Joseph Perella quit Wasserstein Perella, the Wall Street investment bank he co-founded and into which Nomura sank $100m for a 20 per cent stake.

Nomura Finance, created in 1989 at the height of the property boom, had operating assets of Y1,462bn in March, but non-performing and other doubtful loans were put at Y330bn yesterday. It is being subsumed by Ivy Real Estate, a subsidiary of Nomura Land and Building, a property management unit.

Of the bad loans, Y200bn will be written off, financed by Ivy's unrealised profits on landholdings, a capital increase by Ivy and a Y100bn injection from Nomura Securities over 10 years, for which it will receive mortgage-backed paper.

Companies in the Nomura group together own 68.5 per cent of Nomura Finance, although the stockbroker itself holds only 5 per cent. The stake is not consolidated in Nomura Securities' group accounts and the company insisted yesterday's move would have no direct impact on profits.

Ms Alicia Ogawa, an analyst with Salomon Brothers in Tokyo, said that although the Y100bn was coming from Nomura's cash reserves, the ultimate value of the securities it was receiving in exchange was not easy to gauge. She did not rule out the possibility of further write-offs.

One main group creditor of Nomura Finance is Jafco, a venture capital unit which owns a quarter of the finance company and is owed Y50.1bn. Japanese commercial banks own most of the remainder of its shares and are also owed money. The fate of Nomura Finance (America), a Los Angeles-based subsidiary, remains unclear.

Nomura also has a Tokyo-based mergers and acquisitions venture with Wasserstein Perella. A Nomura official said that Mr Perella had left behind a strong infrastructure to which the Japanese group remained committed. It had no intention of selling its stake, at least until the expiry of a shareholding agreement in September 1995.

Louise Kehoe and Martin Dickson report on IBM's radical cuts and ask: what then?

When surgery will not prove the whole cure

The axeman cometh. Mr Lou Gerstner, the tough, impatient new chairman of IBM, this week gave the world its first peep at his plans to restore the floundering computer giant to health – severe cuts in IBM's size top his action list.

Less than four months after he took over as chairman, Mr Gerstner announced on Tuesday that IBM was taking an $8.9bn charge – one of the largest restructuring provisions in US corporate history – to cover 60,000 job cuts and the closure of factories and offices around the world over the next 18 months.

His rapid action is hardly surprising. In spite of seven years of endless cost-cutting, IBM is still too fat and cumbersome for its much diminished role in the computer world. Mr Gerstner comes to the company with a powerful reputation as a cost-cutter, gained in his previous job as chairman of the food and tobacco group RJR Nabisco.

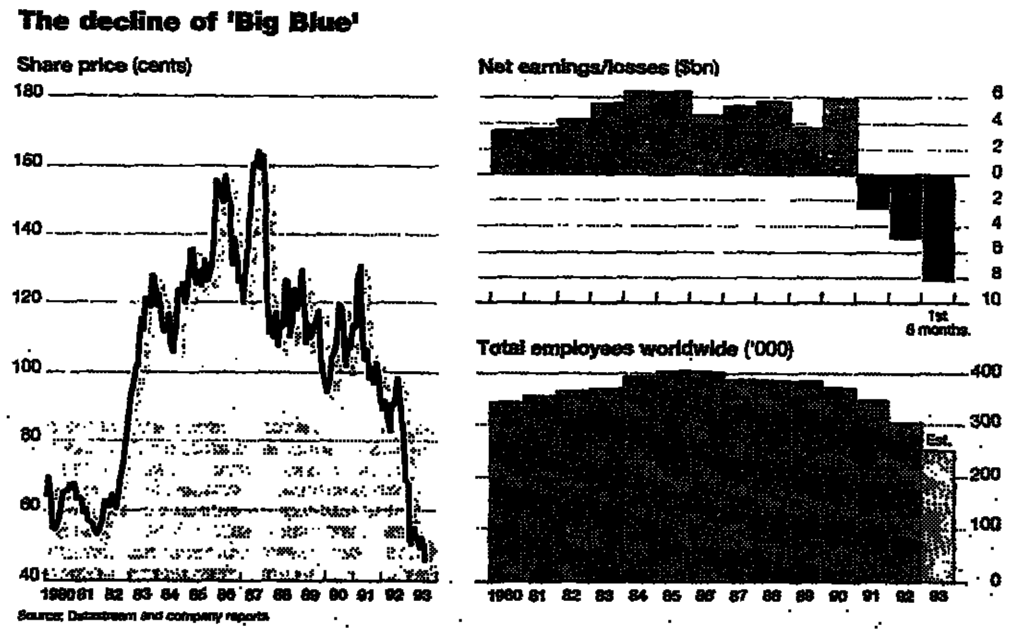
As a newcomer to IBM, lacking personal loyalties or deep immersion in its conservative corporate culture, he can slash away at dead wood rather than engage in the annual, more limited pruning carried out by his predecessor, Mr John Akers, whose failure to solve IBM's problems eventually forced him out.

But while cuts had been expected, the sheer scale of Mr Gerstner's action has pleasantly surprised Wall Street, which is hailing it as a refreshing sign of greater realism at the often arrogant company. Mr Gerstner says that while the cuts are large, he hopes they will be the last.

Yet for all the blood and thunder, this week's action leaves open a much more important question: can Mr Gerstner create a strategy for IBM which will restore it to a leading position in the industry, or this just another painful milestone in the company's long decline? In short, is Mr Gerstner as good with the fertiliser as he is with the axe?

"Gerstner may be fabulous at cost cutting, and still see IBM collapse over the next five years or so," says Mr Charles Ferguson, an industry consultant and co-author of Computer Wars, a book on IBM and its troubles. "The tough part will be deciding what strategies he will pursue to carve out a profitable niche."

The decline of 'Big Blue'



Source: Datastream and company reports

On this score, his pronouncements this week have sown a degree of disquiet among some industry analysts. Asked repeatedly by journalists to give an insight into his strategic thinking, Mr Gerstner replied that he still had to figure out where IBM would concentrate its resources; that he did not want his competitors to know his plans; and that his first priority was to fix the company's "business economics".

"The last thing IBM needs right now is a vision," he said. "What IBM needs right now is a series of very tough-minded, market driven, highly effective strategies that deliver performance in the marketplace and shareholder value." His approach reflects IBM's financial distress. The company announced its third consecutive quarter of operating losses on Tuesday – $40m of red ink in the three months to June on revenues of $15.5bn.

Mr Gerstner's cuts should save the company $4bn a year when fully implemented in 1994 and restore it to profitability.

Perhaps it is too much to expect anyone to come up in a mere 16 weeks with solutions to the immensely complex strategy problems of IBM, which stem from technology decisions taken a decade or more ago.

IBM, which has long dominated the global market for large mainframe computers, was slow in the early 1980s to recognise the implications of the invention of powerful new micro-processor chips. These drastically cut the cost of computing power and encouraged companies to replace big, central processing units with networks of smaller desktop machines.

Sales of its flagship mainframe computers are declining rapidly, and while Mr Gerstner rejects the notion that the "mainframe is dead", he acknowledges that profit margins are being eroded by intense competition in a shrinking market. Yet there are no obvious alternative sources of strong profits growth. In personal computers, IBM lost ground to smaller, more nimble rivals in the late 1980s, and while it has made a strong recovery, profit margins are razor thin.

In workstations, it is engaged in a technology race against Sun Microsystems, Hewlett-Packard and Digital Equipment, which have the advantage of more focused marketing efforts. In the mid-range computer segment, IBM's AS/400 is under attack from "open systems" vendors offering computers that adhere to industry standards.

One bright spot is IBM's services business, which advises companies on computing needs and is increasing revenues rapidly, although profits are less buoyant.

At present, Mr Gerstner's strategic approach seems to be one of letting a thousand flowers bloom. He says he does not "believe there is, or ever will be, a single technology strategy" for IBM's various businesses.

As for the long-contentious question of how IBM should organise its sales force – by product, industry sector, or showing a single face to the buyer – Mr Gerstner says there should be room for all, depending on what individual customers want.

His remarks are peppered with references to customer satisfaction, but many observers wonder how this can be divorced from the enunciation of a clear technology strategy for the group.

IBM's customers are already nervous, wondering which product lines Mr Gerstner may drop and competitors have been quick to take advantage of this uncertainty.

"Technology is not high on my priority list of things to fix. IBM still has the best technology in the world," he says, echoing the self-confident view expressed by Mr Akers not long before the profits slide began.

But however clever IBM's scientists may be, the company has of late picked few technological winners and has been slow bringing new products to market. This has begun to erode the confidence of customers who have traditionally looked to IBM as a large, reliable source of machines and advice in an industry changing at bewildering pace.

Mr Gerstner would appear to be treading a fine line: cost-cutting may restore profits in the short-run, yet if IBM fails to articulate a technology strategy, it risks further undermining its status as an industry leader.

It is not yet "just another computer company" – a purveyor of products which could have been made by one of a dozen rivals. But it could become so if it focuses on the problems of the past rather than building a strategy for the future.

Ford and Chrysler see strong quarter

By Martin Dickson in New York

TWO OF the 'Big Three' US car manufacturers – Ford Motor and Chrysler – yesterday reported strong increases in second-quarter profits, powered by a gradual recovery in the US economy and market share gains at the expense of Japanese rivals.

Ford announced that earnings had doubled to $775m, or $1.43 a share, from $387m, or 70 cents a share in the same period of last year. Chrysler's income nearly quadrupled, from $178m, or 54 cents a share, to $685m, or $1.86 a share.

Ford's figures were in line with expectations and its shares rose $¼ in morning trading on the New York Stock Exchange to $51⅞. Chrysler's results were towards the upper end of forecasts but its shares dipped $2⅜ to $42⅝ on profit-taking.

General Motors, the largest US vehicle company, which is going through a severe restructuring, will report its results today. Analysts are expecting earnings of around $800m, compared with a loss of $703m a year ago.

The three companies have been helped by a gradual improvement in US vehicle sales, though both GM and Ford, which have big operations in Europe, have suffered from the sharp slowdown in continental economies, particularly Germany.

Mr Harold Poling, Ford chairman, said yesterday: "I'm not sure we have seen the bottom there [in Europe] yet."

In the US market, the three companies have also benefited from an improvement in their product mix, with higher-value vehicles accounting for a larger proportion of sales.

Results and details, Page 12

Cigarette cloud over BAT rise

By Philip Rawstorne and Richard Lapper in London

SIR Patrick Sheehy, chairman of BAT Industries, warned yesterday, that the US cigarette price war "is hurting us and its effects will continue to be felt into 1994 and beyond".

His comments came as the tobacco and financial services group reported a 35 per cent increase in first-half pre-tax profits from £672m to £906m.

During the six months, the impact of the US cigarette price battle was largely confined to a $75m fall in the trading profits of Brown and Williamson, BAT's US subsidiary, due to stock reductions. However, BAT is to cut the price of its premium brands in the US next month to match the discounting of Marlboro by Philip Morris and of Winston by RJ Reynolds.

Overall trading profits from the tobacco business rose from £518m ($771.8m) to £623m on turnover of £5.63bn, against £5.51bn. Excluding a one-off gain of £135m from the recent cigarette brands swap with American Brands, profits fell 6 per cent, reflecting depressed economic conditions in some international markets.

The group was also hit by unexpected losses at Eagle Star, its general insurance subsidiary, on mortgage indemnity policies – covering mortgage lenders against losses on sales of repossessed property – underwritten between 1988 and 1990.

These losses amounted to £57m, offsetting profits of £45m from other areas of Eagle Star's general and life insurance business. Other areas of Eagle Star's general business showed improvement as a result of a fall in weather and recession-related claims and rises in premium rates. Home and motor insurance lines both recorded underwriting profits. The improvement was in spite of expected claims of £24m from the Bishopsgate bomb in the City of London.

Earnings were helped by a low tax charge of 29.6 per cent, following high take-up of the enhanced share alternative to the cash dividend.

Earnings per share grew 66 per cent from 11.8p to 19.6p; and the interim dividend is raised 8 per cent to 7.9p

Lex, Page 10; Details, Page 18

Groupe Bull losses deepen as pricing pressures mount

By John Ridding in Paris

GROUPE Bull, the troubled French computer manufacturer, suffered a fall in sales and a rise in losses in the first half of 1993, the company said yesterday.

The state-owned company reported net losses of FFr1.98bn ($341m) on sales of FFr12.5bn for the first six months of 1993, compared with losses of FFr1.69bn and sales of FFr13.8bn in the same period last year.

The company, which is negotiating a restructuring plan with the French government, has accumulated losses of over FFr15bn in the past 3½ years. Mr Gerard Longuet, the industry minister, has said that the state cannot continue to subsidise losses on this scale and has come under pressure from the EC to reduce its financial support for the group.

Bull said that its first-half results reflected "persistently unfavourable economic conditions" and an "acceleration of general price pressures in the computer market".

Zenith Data Systems, its personal computer division which is the single biggest source of the group's losses, suffered a continued fall in profit margins. The company said that this fall in margins more than offset a rise in sales of PCs by ZDS.

Bull said it planned to return to profit in 1995. To achieve this it announced measures to reduce costs and form alliances with other international computer manufacturers. Earlier this month, the company announced plans to reduce its workforce by 6,500 people, about 18 per cent of the total, by the end of 1994. Last month, the company formed a PC design and manufacturing alliance with Packard Bell.

BT issues warning despite 3% advance

By Andrew Adonis in London

BRITISH Telecom reported a pre-tax profit of £757m ($1.1bn) in the quarter to June 30, a 3 per cent rise.

The comparable figure left aside the effects of selling non-core businesses, on which a £135m loss was incurred. First-quarter turnover rose 2.9 per cent to £3.34bn.

Mr Iain Vallance, BT chairman, described the results as "encouraging, showing growth in both UK and international call volumes".

However, he sounded a warning note on the regulatory and competitive pressures faced by BT. Under an agreement with the telecoms watchdog Oftel, BT is obliged to reduce prices for core services to a figure 7.5 per cent below the retail prices index for the coming 12 months. Nearly 60 per cent of BT's revenue will be affected.

Analysts also expect BT to lose about 3 per cent of UK market share over the next year, as Mercury – which has about 10 per cent – and cable TV companies make advances in the residential market.

Oftel is considering plans which could improve terms for competitors to connect with the BT network.

Revenue from international calls rose nearly 15 per cent to £499m during the quarter, and there was an 8 per cent rise in income from telephone line rentals to £595m. Inland traffic was flat at £1.26bn. Using a 12-month moving average, inland call turnover growth was 2 per cent up, but discount packages and the effect of last year's Oftel price cap kept revenue static.

Capital spending on plant and property fell from £492m to £467m. BT denied that there had been a decision to invest less at home following the company's recent $4.3bn purchase of a stake in MCI, the second largest US carrier. It said that two thirds of UK customer lines were now connected to digital telephone exchanges.

In June, BT employed 169,500 people, down 1,200 in the quarter.

Third foreign bank may join Ferfin talks as consultant

By Haig Simonian in Milan

FERRUZZI Finanziaria (Ferfin), the Italian holding company staggering under total borrowings of about L31,000bn, ($19.6bn) may be facing increasing difficulties in persuading banks to keep open lines of credit, in spite of expressions of support by foreign bank creditors earlier this week.

A meeting yesterday of the five big Italian banks working on a rescue plan for the group, which also lies at the heart of a growing storm concerning alleged bribes to politicians over the Enimont chemicals venture, is believed to have proposed bringing in a third foreign bank as a "consultant".

Citibank could join Société Générale of France and UBS, which have already been asked to act as advisers to the Italian five-bank committee and to the Ferruzzi group, according to one banker present.

The suggestions that Ferfin may be facing serious financing difficulties came as Mr Guido Rossi, its new chairman, was questioned by Milan magistrates monitoring the rescue plan. The interrogation is believed to have concerned Ferfin's plans for Fondiaria, the big insurance company it controls through the quoted Gaic holding company.

In recent weeks, minority shareholders in Gaic, which is controlled jointly by Ferfin and heirs of the late Mr Camillo De Benedetti, have been complaining about a proposed Fondiaria rights issue, which could see control of the insurer pass from Gaic to Ferfin's five main creditor banks.

Whereas the Société Générale and UBS are believed to have a substantial exposure to Ferruzzi group companies, Citibank's lending is thought to be about L100bn.

The decision to bring in a third foreign bank is to quell anxieties among some of Ferfin's foreign bank creditors, which have lent around L6,500bn, regarding the rescue plan, due to be presented by end-August. Some banks, uneasy about the group's financial position and suspicious about the rescue, are believed to have sharply reduced their credit lines, affecting Ferfin's operations.

Thames TV in £20m BBC deal

By Raymond Snoddy in London

THAMES Television, the independent television production company that lost its ITV franchise, has struck a deal with the BBC worth more than £20m ($29.8m) over three years.

At the heart of the deal is *This Is Your Life*, a programme that started life at the BBC 38 years ago, moved to ITV and will now move back to the BBC in autumn 1994. The programme's simple formula is to take a celebrity by surprise, and tell his or her life story through friends and family.

Thames, recently bought by Pearson, owner of the Financial Times, has been attracting audiences of 12m to 14m for the programme. But ITV said yesterday it felt unable to commit itself to the long-term deal that Thames was seeking. The production company is already selling £40m of programmes to ITV this year.

"ITV is now keen to commission more programmes which have an appeal for to young up-market viewers, as well as to for its established audience," said the ITV Network Centre. It is nudging its channel up-market at the very time the BBC is rediscovering the need to appeal to a broad audience to protect its universally imposed licence fee.

Ford's earnings double to $775m on strong US sales

By Martin Dickson in New York

FORD Motor, the second-largest US car manufacturer, yesterday reported doubled second-quarter earnings as stronger US vehicle sales and surging financial services profits outweighed problems in the European market.

Ford reported earnings of $775m, or $1.43 a share, up from $387m, or 70 cents, in the same period of last year. Sales and revenues rose to $29.40n from $26.8bn.

Mr Harold Poling, the chairman, said the improvement, in the midst of weak economies and the company's aggressive product introduction programme, showed "we remain on course for better financial results in 1993 over last year".

However, he noted that in Europe most leading economies continued to worsen during the quarter, and added: "I'm not sure we have seen the bottom there yet".

Ford's US automotive operations earned $367m, up from $42m a year ago, due to increased industry sales and increased market share. It held 21.4 per cent of the US car market, up 0.5 of a point from a year ago, while its light truck share was up 0.3 of a point at 30.2 per cent.

Outside the US, automotive operations earned $28m, down from $61m a year ago, due to weakness in Europe, where the company doubted it would make profits this year.

The group's financial services company earned record profits of $380m, up from $284m a year ago, which was attributed mainly to increased volume and reduced credit losses.

For the six months, Ford reported net income of $1.35bn, or $2.45, compared to a loss after accounting changes of $6.27bn, or $13.13 in the same period of 1992. Sales rose to $56.18bn from $51.4bn.

European operations slip further into the red

By John Griffiths

FORD'S European operations fell deeper into the red in the second quarter, and Mr Harold Poling, the chairman and chief executive, warned that there could be a further deterioration.

The second-quarter net loss of $175m compared with a profit of $23m in the same period of 1992.

Jaguar, Ford's UK-based luxury cars subsidiary, made a second-quarter loss of $59.1m, although this represented a considerable improvement on a year-ago loss of $72.5m.

Ford projected total European car and truck sales this year would fall 17 per cent to 12.4m. This has almost ruled out breaking even on European operations this year.

Market conditions have continued to worsen since the first quarter, when the European operations, including Jaguar, made a net loss of $82m compared with a $84m profit in the previous year's quarter.

Since Jaguar's losses in the first quarter were $150.5m, down from $242m in the same period in 1992, Ford's non-Jaguar European business was marginally in profit in the opening stages of this year.

However, the European new car market has since slid further and Ford's share of it has contracted. Its cars accounted for 11.3 per cent of all European sales in the second quarter, compared with 11.5 per cent in the first.

The worsening of Ford's fortunes showed up sharply in second-quarter unit sales in Germany, Europe's single biggest market, which dropped by 19.8 per cent to 219,185.

UK sales fell more than 21 per cent to 117,405.

However, Ford said it had been hit by adverse currency shifts within Europe and by higher product and marketing costs. It has also had to bear the launch costs of the Mondeo medium car range, one of the most important models in its history. Mr Poling said more than 250,000 orders for the Mondeo had been received since its launch in March.

Polish seat plant to cost $50m

By John Griffiths

FORD is investing $50m in a green field operation in Poland to make seat covers for export to its own car plants and other European vehicle producers. The plant at Plonsk, some 60 miles north-west of Warsaw, is planned to come on stream in 1994 and will employ up to 1,000 people.

The Plonsk facility is the third manufacturing venture by Ford in central Europe since mid-1992.

Until last year, Ford had been among the more cautious of western vehicle producers in establishing a production presence in the region.

However, it has identified Poland, Hungary and the former Czechoslovakia as offering the best potential for Ford's strategy to establish a stronger presence in the emerging economies of central and eastern Europe.

Earlier this month, it acquired Autopal, a Czech components manufacturer specialising in automotive lighting and heat exchanger equipment including air conditioning.

That acquisition provided Ford, for the first time, with an in-house capability to produce lighting in Europe.

Initially, it is expected to produce 600,000 sets of covers a year for Ford Escort and Orion models.

Starting in 1995, production is planned to rise to 1.1m a year with the addition of supplies for the Ford Fiesta.

● **Ford** is to build a $50m technical centre near Tokyo with the aim of strengthening its ability to supply US-produced components to Japanese vehicle makers.

The centre, due to become operational by mid-1995, will employ 80 people.

Chrysler lifted by surge in sales

By Martin Dickson

CHRYSLER, the US car manufacturer, yesterday announced a near quadrupling of second-quarter net earnings, driven by surging sales of new products in the North American market.

The company, which two years ago was financially strained, underscored its return to financial health with net earnings of $655m, or $1.86 a share, compared with $175m, or 54 cents, in the same period of last year. Sales rose to $11.03bn from $9.31bn.

The latest quarter included post-tax gains of $71m from the sale of stock in Mitsubishi Motors, the Japanese car company, and $39m from the sale of its Acustar Plastics operation.

The company said that excluding these items its pre-tax profits totalled $951m, its highest quarterly total.

Mr Robert Eaton, the chairman, said Chrysler had an extremely strong quarter marked by "tremendous market acceptance for our new products". Retail sales of minivans, trucks and Jeep vehicles remained strong and growing demand for the company's new LH range of cars – the Dodge Intrepid, Eagle Vision and Chrysler Concorde – had added to profits and market share.

The company had continued to focus on better quality, waste elimination and continuous improvement in all areas of the business.

Chrysler's combined North American retail car and truck market share was up 2.1 points over the same quarter of 1992.

The group's financial services subsidiary reported net earnings of $44m, down from $49m last year.

For the six months, Chrysler reported a net loss of $3.47bn, or $10.38 a share, against earnings of $165m, or 46 cents, due to a one-time non-cash charge of $4.68bn for a change in accounting for retiree healthcare.

INTERNATIONAL COMPANIES AND FINANCE

Tandem cuts workforce by 15%

By Louise Kehoe in San Francisco

TANDEM Computers, the latest victim of computer industry turmoil, plans to cut its workforce by about 15 per cent in a restructuring.

The company took a $451m third-quarter charge and reported an operating loss. Between 1,600 and 1,800 jobs will be lost over the next 12 months.

The announcement follows Tandem's recent introduction of a new range of smaller, more powerful, parallel computer systems and servers with significantly lower prices than its previous products.

The cuts were necessary "to bring the company's cost structure in line with the new highly competitive pricing model," Tandem maintained.

"There are two challenges in the computer industry: ongoing economic weakness in international markets, and a fiercely competitive environment created by low priced products and heavy discounting," said Mr James Treybig, president and chief executive.

"To become a low-price provider requires that we adopt a new business model if we are going to achieve our profitability goals. This requires more than just cutting costs; it requires re-engineering the business, changing our culture, and continuously reducing our cost structure."

Since the end of the third quarter, Tandem has reduced its workforce at several locations, including its European subsidiaries. By the end of the current quarter, 700 employees will have been laid off, the company said.

Tandem also cut the pay of

James Treybig: emphasised need to reduce cost structure

remaining employees by 5 per cent and reduced benefits. "This is not a temporary measure, but a permanent shift in our salary structure," it said.

Tandem recorded third-quarter net losses of $549.5m, or $4.88 a share, after the restructuring charges. Operating losses for the quarter were $44m. In the same period last year, it earned $17.4m, or 16 cents.

Revenues declined to $475.6m from $503.2m a year ago, due to weak economic conditions, particularly in Europe, and customers' hesitation to purchase current products in anticipation of the recent introduction of low-cost computers, Tandem said.

"Fortunately, we have been implementing a product strategy that will take us [through] the '90s. Last week we announced new products which, coupled with our restructuring, will, we believe, lead to greatly improved earnings per share in the next fiscal year," said Mr Treybig.

Digital recovery slower than expected

By Louise Kehoe

DIGITAL Equipment reported increased earnings for its fourth quarter as the US computer manufacturer recovered from last year's heavy losses.

Digital's directors warned, however, that because of the uncertain economic outlook "we remain very cautious about our ability to maintain profitability for the seasonally soft first quarter".

In contrast to its rival, IBM, Digital's operating performance has improved, but it has failed to meet Wall Street expectations. Analysts' projections were set at around $1.06 per share.

Net earnings for the fourth quarter came out at $113.2m, or 85 cents per share. This compares with a net loss of $1.86bn, or $14.76, last year when Digital took a $1.5bn restructuring charge.

Revenues for the quarter were $3.91bn, up slightly from last year's $3.90bn.

For the year, the company recorded a net loss of $251.3m, or $1.93 a share, compared with a net loss of $2.8bn, or $22.39, in fiscal 1992. Revenues advanced to $14.4bn from $13.9bn. The 1992 losses included a one-time charge of $485.5m for accounting changes, plus the $1.5bn restructuring charge.

Mr Robert Palmer, president and chief executive, pointed to "a continued, significant improvement in our overall operating results both for the quarter and the full year".

"While I am not satisfied with any loss, my confidence in Digital's future is fuelled by the improvements we have been able to achieve over the past three quarters," he said.

Since Mr Palmer joined Digital, last year, the company has posted a cumulative net profit of $9m, he noted.

"With our new customer-focused business unit structure now in place, we are poised to grow revenues and increase our market share, while continuing to work diligently to reduce our costs," he added.

Notwithstanding the seasonally soft September quarter, Mr Palmer was confident that Digital was poised for resurgence.

Digital said it achieved some "slight" revenue growth in the US with stronger growth throughout Asia, during the fourth quarter. However, it added that its European business was weak.

Kodak chief cautiously optimistic on outlook

By Martin Dickson in New York

EASTMAN KODAK, the photographic products company in the throes of restructuring, yesterday reported a 3 per cent increase in second-quarter net income and struck a cautiously optimistic note for the rest of the year.

Mr Kay Whitmore, chairman, said the second-quarter and first-half results were a "satisfactory beginning" consistent with the company's plan to improve its performance this year.

"We continue to believe the company will generate moderately higher sales this year, solid earnings from operations, and positive cash-flow."

He also reported "good progress on development of plans that will improve our operating effectiveness, our cash flows and our ability to pay down debt". Kodak has already announced plans to spin off its Eastman Chemical business.

Second-quarter net earnings of $371m, or $1.13 a share, compared with $361m, or $1.11, in the same period last year.

The figures were held back by $12m of extraordinary charges for the early retirement of debt and include $79m in earnings from Eastman Chemical. Sales totalled $4.27bn, against $4.29bn.

Mr Whitmore described the results as "better than expected", and the company's shares rose $1 to $52 in morning trading on Wall Street.

Encouraging signs, he added, were an excellent operating margin of nearly 24 per cent in the imaging business and improvement in the rate of earnings in the information operations, from a negative 3 per cent a year ago to a positive 5 per cent in the most recent quarter.

For the six months, the company suffered a loss of $1.65bn, or $5.05, after first-quarter charges of $2.17bn for accounting changes. In the first half of last year it made $506m, or $1.56.

Xerox agrees to $160m disposals

XEROX, the US office equipment group, has agreed to Furman Selz Holding management group and a group of its employees acquiring Furman Selz from Xerox Financial Services, Reuter reports. Furman Selz was bought by Xerox Financial Services in 1987.

Completion of the deal, plus an agreement to sell the Shields-Regent businesses of Furman Selz to Alliance Capital Management, is expected to yield $160m to Xerox, which will use to pay off debt.

Petrobras improves to $269m

PETROBRAS, Brazil's state oil monopoly, yesterday raised net profits to $269m for the first six months of 1993 as it benefited from cost-cutting measures, AP-DJ reports from Rio de Janeiro.

The result was a sharp improvement from 1992, when profits totalled just $26m in the first half and $56m for the year.

Gross earnings in the first six months were $8.3bn, and investments totalled $1bn.

Mr Jose de Melo, assistant financial director, said the improved performance was due to cuts in operational and financing costs.

He said that Petrobras had restructured its debt profile from short-term to long-term.

An audit by the independent firm Ernst Young, Sotec in June had put the company's debt at $4.7bn, including $3bn in short-term obligations.

Mr Melo said Petrobras' debt in June totaled $4.5bn, up from $4.2bn at the same time last year.

The Brazilian government owes Petrobras $3.865bn.

Mr Paulino Cicero, mines and energy minister, said that retail fuel prices, which are set by the government, were 42 per cent below what they should be. Increases have been delayed to avoid stoking up inflation, currently running at 30 per cent a month.

Petrobras produces daily about 653,000 barrels of oil and 19m cubic metres of natural gas.

Earnings in 1992 were $14bn.

Du Pont below expectations for second period

By Karen Zagor
in New York

DU PONT, the leading US chemicals group, yesterday posted disappointing second-quarter figures, with declining underlying earnings from all of its main businesses except petroleum.

In the three months to June 30, the group had net income of $516m, or 76 cents a share, compared with earnings of $277m, or 41 cents, in the same period of 1992. Stripping out one-time items in both years, earnings rose 11 per cent in the quarter.

At midday, on Wall Street, shares in Du Pont had fallen $1⅝ to $47⅝ in active trading. Analysts had expected earnings of abut 84 cents a share.

Mr Edgar Wollard, chairman, said that without an increase in economic activity "business conditions are likely to remain difficult, with excess capacity and resultant downward price pressures in our major markets."

Petroleum earnings, excluding non-recurring charges, soared 155 per cent to $199m in the quarter. The growth in income reflected higher natural gas prices, lower exploration and other costs and stronger upstream earnings on new oil and gas production outside the US.

The chemical division's earnings fell 4 per cent to $91m, largely due to lower earnings for white pigments and specialty chemicals.

Fibre earnings declined 27 per cent to $107m, while polymer division earnings were 14 per cent lower at $107m. The diversified businesses unit saw earnings drop 15 per cent to $151m, stripping out a non-recurring charge in 1992.

For the first half, Du Pont earned $1bn, or $1.49. A year earlier, the company took accounting charges of $4.8bn which contributed to a net loss of $4.12bn, or $6.13.

Excluding non-recurring items, earnings rose 15 per cent in the first six months of 1993.

Cost-cutting target raised at Union Carbide

By Karen Zagor

UNION Carbide, the US chemicals group, yesterday said it would step up its cost-cutting measures by increasing its annual cost reduction target to $575m, measured in 1990 dollars, from $400m.

Earlier this year, Carbide said it was a year ahead of schedule in its efforts to reduce annual costs by $400m.

Mr Robert Kennedy, chairman, said the company could save money by looking closely at inventory control, production, distribution and maintenance.

Carbide is still feeling the pressure from tight margins in the polyethylene and ethylene glycol markets.

For the second quarter, Carbide posted net income of $41m, or 24 cents a fully-diluted share, compared with $79m, or 48 cents, a year earlier. Sales slipped to $1.24bn from $1.26bn.

Carbide's income from continuing operations was $41m in the quarter, compared with $36m.

For the first half, the group had net income of $83m, compared with a net deficit of $216m including one-time items. Income from continuing operations rose to $83m, against $78m. Sales were flat at $2.44bn.

Carbide said that its 1993 earnings would be reduced by about $80m to $100m, reflecting additional severance costs related to the extended cost-reduction programme and charges for the adoption of accounting standards for post-employment benefits.

● Scott Paper of the US is to pay $3m to settle a class action lawsuit by shareholders, Reuter reports.

Scott said its insurer would also pay the shareholders $5m.

In a lawsuit filed in September 1990, the shareholders alleged the company did not disclose in a timely manner certain material facts about 1990 earnings. Scott said lawyers for the class had conceded that no deliberate or intentional wrongdoing was involved.

UNP setting its sights on pole position

Canadian group has spent C$9m on former Polish state companies, writes Bernard Simon

WHEN International UNP Holdings was a junior exploration group on the Vancouver stock exchange, the abbreviation in its name stood for United Northern Petroleum. Mr George Bonar, UNP's chairman and chief executive, now mischievously tells inquirers the initials come from three Polish words meaning "beloved new Poland".

The remark is only half in jest. UNP has emerged from obscurity on Canada's west coast to become an active western investor in Poland.

It has spent C$9m (US$7m) over the past two years buying control of three privatised Polish companies: Ibis, the country's biggest maker of bakery equipment; BIAWAR, the leading manufacturer of hot-water heaters; and Unipak (formerly GNIEZNO), the dominant maker of packaging equipment. In each case, the remaining shares continue to be held by the state.

UNP, which recently moved its head office from Toronto to London, aims to negotiate about four new investments a year as the privatisation of Polish state-owned enterprises proceeds. Mr Bonar has his eye on makers of clothing, building materials and food processing machinery, among others.

He is also setting up a partnership with Murray Johnstone, the Scottish fund managers, to manage investment trusts with interests in privatised Polish companies.

UNP is listed on the Toronto and Vancouver stock exchanges. It is thinly traded because 92 per cent of its stock is held by 24 blue-chip institutional investors in North America and Europe. Led by J.P. Morgan (which has put in C$5m) and Morgan Stanley, they have contributed a total of C$27m in capital.

The group aims to negotiate about four new investments a year as the Polish privatisation programme proceeds

Another equity issue, which Mr Bonar hopes will bring in C$5m to C$10m from six more institutions, is in progress.

UNP's prospects depend heavily on Mr Bonar's ability to spot sound investments among Poland's state-owned enterprises, then to negotiate their privatisation and turn them into market-driven companies.

Mr Bonar, who was born in Poland and speaks the language, was formerly chief executive of Eldorado Nuclear, a Canadian uranium processing company. Before that, he was in charge of marketing at Falconbridge, the international nickel producer.

Mr Bill James, his former boss at Falconbridge, remembers Mr Bonar as a "pretty shrewd guy". Another former colleague says the expansive Mr Bonar, now 59, left Falconbridge after disagreements over his ambitious plans for the marketing department. "He was maybe too innovative," the ex-colleague says.

UNP has set its sights on a group of between 4,000 and 6,000 mid-sized manufacturers which have been neglected in the stampede by foreign and domestic investors for a slice of the Polish privatisation pie.

Mr Bonar is adamant he will not – at least for the time being – become involved in competitive bidding for state-owned enterprises. "If I find competition, I walk," he says. "I don't need to buy the company that makes cups and saucers. I can get the company that makes spoons."

This, he says, explains why UNP has so far paid a modest multiple of 1.5 times pre-tax cash-flow for its investments.

Its targets are the less glamorous companies with fewer than 1,000 workers, high labour content, low brand visibility, and with little dependence on high-technology. But, like the three which UNP has bought so far, they are likely to have a dominant market share.

George Bonar, UNP chairman and chief executive, stresses that he will not become involved in competitive bidding

Mr Bonar is also seeking companies run by managers who can adapt to a free-market economy. He has a chance to evaluate a company's management during the period, usually six months to a year, that it takes to negotiate a deal with the government. Only a handful of changes have been made in the three companies UNP has bought. "If I have to chop three or four members of senior management, I've made a bad business decision," Mr Bonar says.

In spite of the good track record, there is no shortage of risk. UNP's latest prospectus lists 11 things that could go awry, from the unpredictable timing of negotiations with the Polish government, to Polish accounting standards and a volatile currency. It cautions that UNP's securities are "speculative".

But Mr Bonar is confident that Poland is undergoing a "fundamental systemic change" which will present enormous opportunities.

He predicts the Polish elections on September 19 will improve political stability by eliminating most of the 29 parties vying for office.

As evidence that UNP is in the right place at the right time, Mr Bonar notes that a leading US hot-water appliance maker has shown an interest in buying all or part of the 90 per cent stake in BIAWAR which UNP acquired only nine months ago.

Bethlehem Steel chief sees return to profit

BETHLEHEM Steel expects to return to profitability in the third quarter of 1993, said Mr Curtis Barnette, the company's chairman, Reuter reports.

The US group reported a second-quarter loss of $5.3m, or 18 cents a common share, an improvement over its year-earlier performance when it suffered a loss of $51.7m, or 76 cents. Revenues advanced to $1.12bn, from $1.01bn last time.

Mr Barnette maintained that the results of a cost-cutting programme, achieving a satisfactory new labour agreement, better markets and achieving fair trade in steel "will return Bethlehem to profitability in the third quarter of 1993."

"We have continued to make steady and favourable progress in our return to sustained profitability," he said.

The company said its basic steel operations segment had income from operations of $11m for the quarter, a $29m improvement from the same period a year ago.

It cited increased volume and cost reduction efforts at its two main mills as primary reasons for the improvement. Bethlehem said product mix was also better.

Bethlehem said cash and cash equivalents totalled $205m at June 30, against $208m at December 31 1992. It added that significant uses of cash during the latest quarter included capital expenditures, pension funding and repayment of short-term borrowings.

At June 30 this year, $294m was available for borrowing under a 1992 revolving credit agreement.

PWA loss widens to C$44m

By Robert Gibbens
in Montreal

PWA, parent of Canadian Airlines International, yesterday unveiled a sharply higher second-quarter loss.

However, the group said its financial restructuring was falling into place and its operating performance had improved.

Net loss before restructuring costs was C$44.3m (US$34.7m), against a loss of C$33.8m a year earlier. However, including charges totalling C$85.7m, the final loss came out at C$130.6m, or C$2.73, compared with a deficit of C$34.4m, or 74 cents. The year-earlier loss included C$24.8m special gain.

For the first half, the group's final loss was C$237.7m, or C$4.97 a share, against one of C$108.3m, or C$2.30, a year earlier.

Second-quarter operating revenues rose 3 per cent to C$727m. In the first half they rose 1 per cent to C$1.4bn.

Domestic capacity was trimmed by 11.5 per cent, raising the domestic yield by 9.6 per cent, while international traffic was higher. Total traffic was up 1.3 per cent and the yield per passenger mile improved slightly. Operating expenses were more closely controlled.

PWA said the latest C$85.7m restructuring charge included a provision for a C$37.5m foreign exchange loss. All foreign debt is now being translated at current exchange rates.

The balance covered debt rescheduling and moves to complete a C$246m equity injection by American Airlines in Canadian.

This deal is being held up by a court dispute over Canadian's joint interest with rival Air Canada in the Gemini reservation system. Canadian must dispose of this before the American Airlines deal can go through.

Mr Rhys Eyton, chairman, said more than 70 per cent of senior creditors had signed the debt restructuring agreement and the rest should accept in the next few weeks. "We're working towards a satisfactory resolution of the Gemini issue," he said.

The centrepiece of the restructuring is conversion of C$700m of debt into equity. The whole plan is due to go before shareholders and debenture holders by mid-September.

However, two companies have demanded immediate repayment of C$109m of subordinated debt. In all, PWA wants to restructure more than C$3bn of debt.

Subsidiaries help to lift Mexican conglomerate

By Damian Fraser
in Mexico City

GRUPO Carso, Mexico's largest industrial conglomerate, reported an 11.8 per cent increase in profits to 668m new pesos ($214m) in the first half, after improved performance at industrial subsidiaries, Nacobre, Cigatam, Condumex, and Aluminio.

The company owns a controlling stake in Telmex, Mexico's telephone monopoly, which last week reported a 12.9 per cent increase in second-quarter profits. Telmex contributed a third of Carso's net profits.

Carso recorded a 42 per cent increase in sales to 4,701m pesos, but this was due to consolidation of results at subsidiaries and an increased stake in Frisco, the mining concern.

Underlying sales fell, as the company cut unprofitable lines at Condumex and Nacobre, according to Baring Research in Mexico City.

The rationalisation boosted margins and helped push up operating profits to 819m pesos in the first half, a 71.3 increase.

Profits were given a strong lift by the improved performance of Cigatam, the cigarette company, which according to Carso has gained market share at the expense of its rival, La Moderna.

Frisco told the Mexican stock market that it had re-opened the silver mine Real de Angeles, which had been closed earlier in the year due to low silver prices. Real de Angeles produced 8.1m troy ounces of silver last year, 1.8 per cent of world output.

Financial services hold Imasco back in second quarter

By Robert Gibbens in Montreal

IMASCO, the Canadian financial services, tobacco and food retailing group in which BAT Industries of the UK has a 40 per cent stake, reports slow second-quarter profits following a reduced contribution from financial services.

There was a continued recovery in the US fast-food business and better results from tobacco products and drug stores, but net income for the quarter could only emerge at C$94.8m (US$74m), or 74 cents a share, against C$94.6m, or 73 cents, a year earlier.

Net revenues for the quarter were little changed at C$2bn. First-half earnings were C$161.3m, or C$1.24, up 2 per cent from C$158.2m, or C$1.21. Six-month net revenues showed little movement at C$3.9bn.

Mr Purdy Crawford, chairman, said the Canada Trust operations maintained a high level of provision in the six months, despite improving credit conditions and a decline in overall non-performing loans.

Retail banking results were good but Canadian demand for home mortgages remained soft.

Prospects for the current half and 1994 had improved but the financial services unit's contribution to Imasco's 1993 earnings will not match 1992.

Imperial Tobacco's share of the domestic cigarette market rose to 66.9 per cent and its share of the export market is being regained. Hardee's Food Systems is controlling costs well, maintaining margins and continuing to recover, said Mr Crawford.

The drug store subsidiary maintained growth in a very competitive market.

● BCE, the telecommunications group which owns 52 per cent of Northern Telecom, plans to sell its fully-owned Case-Hoyt printing unit in the US to Avanti Press, a Miami-based graphic arts company. The price was not disclosed.

BCE bought Case-Hoyt as part of a major diversification into commercial printing in 1984. Since then it has divested the other printing units. Case-Hoyt has annual sales of US$60m and is profitable.

BCE's non-telecom interests are now confined to property group, BF Realty, and its Montreal Trust financial services unit which has assets in excess of C$50bn.

Bangkok Bank lifts profits by 34%

by William Barnes in Bangkok

BANGKOK BANK, which dominates banking in Thailand, reports a 34 per cent increase in second-quarter net profit to Bt3.28bn ($129m) compared with 1992's second quarter. Earnings per share rose from Bt2.44 to Bt3.28.

An analyst with Crosby Research in Bangkok said the results showed that "margins are holding up and the outlook for the sector is pretty good".

Thai Military Bank, the sixth-largest in Thailand, increased second-quarter profits by 97 per cent to Bt768.6m. The bank took Bt400m loan loss provisions in the second quarter last year. Earnings per share rose 74.8 per cent to Bt1.8.

Earlier this year ,Bank of Thailand, the central bank, publicly complained about the width of spreads between the banks' deposit and lending interest rates.

Bank of Thailand pointed out that average spreads had grown steadily to a record 3.86 percentage points in the first quarter of this year. This, it said, could hamper economic activity.

Sale charge and falling prices push Noranda into red

By Robert Gibbens

NORANDA, the big Canadian resource group, has run into the red with a first-half loss of C$30m (US$23.4m), or 32 cents a share, against profits of C$49m, or 10 cents, last time.

The group has been hit by declining commodity prices and a C$30m charge on the sale of its 49 per cent stake in MacMillan Bloedel. Revenues were C$2.6bn, down from C$4.3bn, reflecting the MacMillan Bloedel disposal.

The second-quarter loss this year equalled 7 cents a share against a profit of 9 cents. The lower Canadian dollar and lower interest expense partly offset weak prices for metals, papers and oil and gas.

The sale of the MacMillan stake has reduced Noranda's long-term debt to C$2.9bn.

● Loblaw, Canada's biggest grocer, had a second-quarter profit of C$24.3m, or 28 cents a share, up from C$10.8m, or 11 cents. Sales were C$2.16bn, against C$2.12bn. Price competition in western Canada and a US strike hurt results.

● Torstar, the publishing group, earned C$2.6m, or 6 cents a share, in the second quarter, down from C$12.6m, or 31 cents. Revenues were C$229m, against C$218m. A weak advertising market adversely affected the Toronto Star newspaper, while books improved slightly.

● Fletcher Challenge Canada earned C$6.1m, or 5 cents a share, in the fourth-quarter to end-June, against a loss of C$30.1m, or 30 cents, a year earlier. For all 1993, FCC made a loss of C$24.2m, against a loss of C$43.5m, on revenues up 28 per cent at C$1.23bn.

● Falconbridge, Canada's second biggest nickel producer, has sold its 62 per cent control of Falconbridge Gold, its remaining gold mining subsidiary, for C$22m. The buyer is Kinross Gold, a new Toronto mining group, for C$22m. With the deal go producing mines in Zimbabwe and at Timmins in northern Ontario.

Kinross is buying 8.2m Falconbridge gold common shares and a C$7.4 m convertible debenture. Kinross is 25 per cent held by Placer Dome and 23.5 per cent by Dundee Bankcorp. The two companies will have 1993 gold production of about 150,000 oz.

Kinross has said it would like to buy the remaining 38 per cent of Falconbridge Gold.

Depreciation costs hit Philippine Airlines

By Jose Galang in Manila

PHILIPPINE Airlines, the national airline which was privatised at the beginning of 1992, reports reduced profits for the year to March 1993 following a steep increase in depreciation charges.

Net income for the year dipped by close to 8 per cent to 1.03bn pesos ($37.6m) from the previous year. Revenues moved ahead marginally to 24.43bn pesos, against 24.41bn pesos last time.

Philippine Airlines said earnings would have been higher but for heavier depreciation which for last year took in depreciation on appraisal increments. Without this, profits would have been some 40 per cent higher, the company said. Expenses amounted to 23.01bn pesos, up 9 per cent. This, together with the higher depreciation charge, left operating profits flagging badly at 1.41bn pesos – down 57 per cent on 1991-92.

The airline's assets at the end of March totalled 24.19bn pesos, up 21.5 per cent. Total liabilities were 33 per cent higher at 13.44bn pesos. The airline said its net worth grew over the year by 12.5 per cent to 9.15bn pesos.

During the year Philippine Airlines pushed through a reorganisation which reduced the par value of its shares from 10 pesos to 5 pesos. The airline said the move helped wipe out accumulated deficits of 5bn pesos.

COMPANY NEWS IN BRIEF

Austrian savings bank has strong first-half result

DIE ERSTE Oesterreichische Spar-Casse Bank said its operating profit in the first half jumped 47 per cent to Sch724m ($59.6m), due to much better income from lending and trading as well as reduced costs, writes Ian Rodger in Zurich.

The bank, which converted itself into a joint stock company last month, reported total assets of Sch184.7m, 2.4 per cent higher than at the end of last year.

Mr Konrad Fuchs, chief executive, said negotiations aimed at restructuring Austria's savings bank sector, in which Erste is playing a leading role, were entering an intensive. phase. But he declined to speculate on the outcome.

● Huttons Kiwi, part of the Brierley group, is buying 18.4 per cent of Asian New Zealand Meat for NZ$9.8m, writes Terry Hall in Wellington. Asian NZ, which is 65 per cent owned by the farmers co-operative, the New Zealand Meat Producers Board, is New Zealand's biggest exporter of meat related products to Japan. Huttons Kiwi, which was partially floated to the public in October, is financing the deal through a share issue.

●.Grupo Industrial Maseca, Mexico's leading corn flour maker, reports net profits of 36,348m new pesos ($11.65m) in the second quarter, a better-than-expected 19.7 per cent increase in real terms compared to the same period last year, writes Damian Fraser in Mexico City.

Maseca is one of Mexico's largest consumer food companies, and the biggest seller of corn flour, out of which is made the tortilla. It is currently expanding capacity, having just opened a new plant in Guadalajara, Mexico's second largest city. Maseca's margins also increased from 14.3 per cent to 16.25 per cent in the second quarter.

● Ecuatoriana de Aviacion, Ecudor's state airline, is to be the first company in the government's economic reform programme to be privatised, writes Raymond Colitt in Quito.

A newly-formed corporation is to replace the debt-laden airline. It is to take over the operation within 60 to 90 days. Some 60 to 70 per cent of its shares are to be sold.

International airlines as well as Ecuadorian entrepreneurs have shown interest in buying shares. The airline has routes to New York and Miami.

European sector anticipates German official rate cut

By Peter John in London and Patrick Harverson in New York

THE DECISION by the Bundesbank to reduce its repo rate by 20 basis points to 6.95 per cent convinced international government bond markets that German official rates would be cut today.

Reflecting concern over economic credibility, long-dated German government bonds fell back, while short-term prices, which signpost interest rate moves, held firm. Meanwhile, French government bond prices held steady and Italian paper rose on switching from the German market.

GOVERNMENT BONDS

Economists had expected a fall of between 10 and 15 basis points in the German repo to just above 7 per cent following the level that overnight money had reached previously.

However, there was so much liquidity in the market following the heavy foreign exchange intervention to support the French franc over recent days that the Bundesbank had to offer a lower rate to the commercial banks as an incentive to bid for loans.

By the close last night there was a consensus that the council will announce a half-point cut in the 6.75 per cent discount rate which sets the floor for German lending, and the same amount for the Lombard rate, which sets the ceiling.

Any reduction would be contrary to the Bundesbank's stated policy of holding rates high in the face of inflationary pressures. Consequently, it could dent the bank's economic credibility and affect sentiment in long-dated bunds which is relatively closely bound up with confidence in sound economic policies.

The September 10-year bund futures contract traded on Liffe fell 30 pfennigs to 95.90, while short-dated paper was steady.

Meanwhile, the 10-year Notionell future for September eased only 2 centimes from Tuesday's close to 120.18 and was trading higher after the official close.

However, the strongest potential for further easing was considered to be outside the ERM and the Italian September futures contract traded on Liffe jumped nearly half a point from 104.57 to 104.92.

■ THE SUCCESS of the latest £3.25bn auction for UK government bonds surprised most participants and provided an opportunity for the gilts market to continue its upward momentum.

September gilt futures shot forward by more than a percentage point to $109\frac{1}{32}$ before retreating in the face of profit-takers to close nearly half a point up at $108\frac{7}{16}$.

The government auction of 7 per cent stock maturing in 2001 was covered 2.29 times against expectations of between one and two times and against the miserable cover of 1.1 times at the last big auction a month ago. The stock was placed at an average accepted price of $97\frac{1}{32}$, giving a yield of 7.46 per cent.

The cover partly reflected the fact that dealers had positioned themselves better this time and the relevant section of the yield curve had fallen acceptably ahead of the auction. More significantly, there was no tail – the gap between the lowest accepted bid price and the average bid price – which pointed to very fierce bidding.

It appears that US funds bought heavily against expectations that an eight-year maturity would be shunned by overseas buyers who prefer 10-year stocks.

■ US TREASURY prices were firmer across the board late yesterday morning after the market had rallied from early weakness on surprisingly strong economic data.

By midday, the benchmark 30-year government bond was up $\frac{1}{4}$ at $105\frac{11}{16}$, yielding 6.669 per cent. At the short end of the market, the two-year note was also slightly firmer, up $\frac{1}{32}$ at $100\frac{1}{32}$, to yield 4.217 per cent.

Prices opened lower, primarily because of the announcement of a 3.8 per cent rise in June durable goods orders, an increase that was three times as large as market forecasts. The goods orders data is notoriously volatile, however, and analysts pointed out that if commercial aircraft orders are excluded from the numbers, the rise was only 0.3 per cent.

Consequently, prices gradually recovered their lost ground, and by late morning had edged into positive territory. Hopes that the afternoon sale of the $11bn five-year notes would go well was also behind the market's recovery.

Dealers believe retail investors may have decided to stay away from Tuesday's two-year note auction, which went poorly, and wait for today's five-year sale.

FT FIXED INTEREST INDICES

	July 28	July 27	July 26	July 23	July 22	Year ago	High *	Low *
Govt Secs (UK)	98.47	97.94	98.16	97.93	97.97	89.00	98.47	93.28
Fixed Interest	117.61	117.34	117.20	117.02	117.11	105.77	117.61	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 117.61 (28/7/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	July 27	July 26	July 23	July 22	July 21
Gilt Edged Bargains	122.4	103.8	89.1	100.0	105.0
5-Day average	104.1	98.6	98.1	101.3	106.0

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	02/03	117.5238	+0.706	7.04	7.09	7.58
BELGIUM		9.000	03/03	112.8600	+0.150	7.10	7.01	7.07
CANADA *		7.500	12/03	101.7510	+0.324	7.25	7.13	7.33
DENMARK		8.000	05/03	106.3500	+0.550	7.07	7.14	6.86
FRANCE	BTAN	8.000	05/98	107.2737	+0.250	6.16	6.24	6.08
	OAT	8.500	04/03	112.0650	+0.225	6.76	6.78	6.70
GERMANY		6.750	04/03	101.2300	-0.270	6.57	6.57	6.63
ITALY		11.500	03/03	104.3200	+0.070	11.05†	11.10	11.48
JAPAN	No 119	4.800	06/99	104.1661	+0.098	3.93	4.01	4.22
	No 145	5.500	03/02	108.4523	+0.204	4.17	4.22	4.38
NETHERLANDS		7.000	02/03	104.0200	-0.380	6.41	6.37	6.42
SPAIN		10.300	06/02	100.3722	+0.339	10.22	10.32	10.15
UK GILTS		7.250	03/98	102-11	+13/32	6.65	6.81	6.88
		8.000	06/03	103-27	+20/32	7.44	7.52	7.65
		9.000	10/08	110-09	+18/32	7.83	7.86	8.00
US TREASURY *		6.250	02/03	102-11	-2/32	5.92	5.77	5.79
		7.125	02/23	105-19	-	6.69	6.59	6.68
ECU (French Govt)		8.000	04/03	105.1300	+0.140	7.24	7.28	7.07

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Tokyo SE draws up stock-index futures rules

By Emiko Terazono in Tokyo

THE Tokyo stock exchange has drafted new restrictions for the stock-index futures market in an attempt to end criticism of the negative effects of futures and options trading.

The measures are seen as the final round of reforms to end a long-standing row over derivatives trading, which Japan's financial regulators believe to be the leading cause of the weakness of the Tokyo stock market.

The ministry of finance last December called for a reform of the stock futures market, including a review of trading restrictions. However, many futures traders see such reforms as long overdue. The number of market participants in Japan's derivatives market has declined sharply due to the spate of restrictions already implemented over the past two years.

The TSE's draft includes the introduction of a circuit breaker mechanism to suspend transactions when prices swing wildly, and more disclosure requirements. Initial plans intended to prevent "front running", or trading of stocks by brokers ahead of clients' orders, were postponed.

A separate group of Osaka and Tokyo stock exchange members are currently working on a new stock index for futures, which is expected to be announced later this year. The ministry of finance called for a capitalisation weighted average to replace the current Nikkei 225, which is a simple price average of 225 stocks and is criticised as being easily manipulated.

Details and the timing of implementation have yet to be decided, but the TSE's proposal includes the following measures:

- Implementation of a circuit breaker mechanism, suspending futures and options trading for 15 minutes when prices fluctuate beyond a designated range;
- Suspension of arbitrage linked cash trading if the futures index rises or falls to the daily limit;
- Disclosure of futures trading by brokers' own accounts and client orders;
- Daily disclosure of outstanding arbitrage linked cash positions of brokers' own account trading and client orders.

Weak interest in Polish offer

POLAND'S first auction of three-year government bonds following government moves earlier this month to allow the remit of capital and interest earnings has failed to attract investors from abroad, writes **Christopher Bobinski in Warsaw.**

Domestic interest in the issue was also weak, with the government offering 500bn zlotys of bonds and the banks willing to take up 90bn zlotys worth. Eventually, 60bn zlotys worth were placed at a 1.9 per cent discount on the nominal value. The three-year bonds carry an interest rate which reflects three-month Treasury bill yields plus 10 per cent.

The government had hoped the three-year bond issue, which is earmarked for funding this year's 81,000bn zloty budget deficit, would attract foreign funds. However, currency fears have evidently kept foreign investors away.

Three Filipino borrowers line up Eurobonds

By Tracy Corrigan

THREE Filipino borrowers are preparing to launch Eurobonds following the government's return to the market with a $150m issue in February.

An expected $100m issue of three-year Eurobonds by Philippine Airlines (PAL) early next month will be followed by deals for the Philippine National Oil Company and the National Power Corporation.

INTERNATIONAL BONDS

The PAL deal, arranged by Chemical Bank, is likely to be priced to yield 350 to 400 basis points over the comparable US Treasury yield.

State-owned Philippine National Oil is planning to launch a $60m five-year deal via J P Morgan in September, and the National Power Corporation is set to launch a $150m five-year issue via Morgan Stanley the following month.

Reports on Reuter that the International Monetary Fund had warned the Philippines against borrowing heavily in the Eurobond market were taken out of context, an IMF official in Washington said. He said the IMF has welcomed the Philippines' return to capital markets, provided they pursued a cautious approach.

Activity in the Eurobond market yesterday was concentrated in dollars and yen. However, Euroyen offerings totalling Y60bn were pre-placed with investors in the eastern Asia, dealers said.

Two floating-rate note issues, aimed at different groups of investors, were launched in the dollar sector. CSFB Finance launched a $50m issue of 10-year collared floating-rate notes, with a maximum coupon of 9½ per cent and a minimum coupon of 5½ per cent, which met strong demand from retail investors.

Gota Bank, the Swedish bank which was rescued by the government in December 1992, launched a $100m issue of step-up floating rate notes via Chemical Bank.

Like a number of other Swedish banks involved in last year's bail-out, it is now legally backed by the government.

Another Swedish bank, the Urban Mortgage Bank, recently completed a similar deal in the private placement market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Keihin Electric Railway(a)Φ	250	1.625	100	Aug.1997	2.25	-	Yamaichi Intl.(Europe)
Gota Bank(b)‡	100	(b)	100	Sep.2001	-	-	Chemical Inv'ment Bank
CSFB Finance (Netherlands)‡	50	(c)	99.675R	Aug.2003	0.5R	-	CSFB
STERLING							
Greenalls Group(d)§	109.993	7#	(d)	Sep.2008	-	-	J.Henry Schroder Wagg
YEN							
Mazda Motor Corp.	20bn	5.1	99.925R	Aug.2000	0.35R	-	Nomura International
NSK(e)	20bn	4.05	99.9R	Aug.1997	0.25R	-	Nomura International
Mitsui & Co.	10bn	4.9	100.2R	Nov.2000	0.35R	-	Fuji Intl. Finance
Mazda Motor Corp.‡	10bn	(f)	100R	May.2000	0.25R	-	Sumitomo Finance Intl.
CANADIAN DOLLARS							
Svenska LB London Cap Mkts.	200	6.5	99.75R	Aug.1997	0.225R	-23 (g)	Lehman Brothers Intl.
DANISH KRONER							
Finance for Danish Ind.(h)	200	7	102.035	Aug.1998	1.875	-	Morgan Stanley Intl.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ΦWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Fungible 4/6/92. b) Coupon pays 6-month Libor + 1.1% for first 3 years and + 3% thereafter. Callable on 9/9/98 at par. c) Issue launched on 22/7/93 was increased to $200m. Coupon pays 6-month Libor - 0.125%; minimum 5.5%, maximum 9.5%. d) Issue is consideration for the acquisition of J.A. Devenish and amount shown is the maximum that will be issued. Conversion price: £4.65 e) Puttable on 5/8/95 at par. f) Coupon pays 3-month Libor + 0.325%. g) Spread is over the interpolated yield curve. h) Issue launched on 22/7/93 was increased to DKr550m.

Fed chief responds to G30 derivatives report

By Laurie Morse in New York

MR David Mullins, vice-chairman of the US Federal Reserve Board, yesterday told international swap and derivatives dealers that proper supervision of the derivatives industry would require far more than the status quo. His was the first official reaction by the US central bank to the Group of 30 report on derivatives issued in London last week.

Mr Mullins, speaking to the International Swap and Derivatives Association meeting in New York, said: "The report's statement that the existing regulatory framework is adequate does not appear to be derived from or supported by an extensive analysis of the full range of public policy issues associated with derivatives activities."

He added that while the G30 report helped to clarify understanding of the new financial instruments, their complexity and diversity made their measurement and control more important than was the case with traditional shares and bonds. Systemic risks from derivatives were often overstated, he said, but the report did not offer insights that would "alter estimates of the probability of a systemic disturbance or of its potential costs."

Mr Mullins criticised the G30 for not addressing the need to follow-up its recommendations to derivatives practitioners.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7 10 pm on July 28

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	100	101		7.49
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	72	1	6
Other Fixed Interest	11	3	1
Commercial, Industrial	300	240	874
Financial & Property	204	81	518
Oil & Gas	19	13	51
Plantations	0	0	8
Mines	53	12	70
Others	65	26	46
Totals	724	376	1,574

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or -
140	Nil	25/8	34pm	62pm	Bank of Ireland	60pm	+1
135	Nil	3/9	19pm	15pm	Birkby	15pm	
305	Nil	6/9	100pm	80pm	Clyde Blowers	98pm	
152	Nil	23/8	18pm	5pm	Cranswick	15pm	+8
345	Nil	1/9	57pm	33pm	Frogmore	57pm	+8
30	Nil	16/8	9pm	4pm	Moran Hldgs	4pm	
5	Nil	9/8	1½pm	½pm	Premier Land	1pm	+¼
130	Nil	16/8	35pm	29pm	Rubicon	35pm	+3
210	Nil	1/9	53pm	44pm	Smith New Court	44pm	-2

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings July 26
- Last Dealings Aug. 6
- Last Declarations Oct. 28
- For settlement Nov. 8

3-month call rate indications are shown in Saturday editions.

Calls: Alexon, Brent Walker, Caverdale, Chiltern, Eurotunnel Wts. '93, Essex Furniture, Flextech, Govett Emerging Mkts., Harmony, Japan Perpetual, Medeva, Mid-States, Mirror Group, THORN EMI and Union Discount. Put: Essex Furniture. Puts & Calls: Brit. Steel and Simon Eng.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Jul	Calls Oct	Calls Feb	Puts Jul	Puts Oct	Puts Feb
Grand Met (*415)	390	27	40½	49½	1	8½	19
	420	1½	22½	23½	6½	21½	39½
Ladbroke (*178)	160	19	25	28	1	5½	9
	180	1	12	16½	3½	15	19
Utd Biscuits (*364)	360	5½	24	34	1½	18½	26
	390	1	11	21½	28	37½	44

Option		Calls Jul	Calls Oct	Calls Dec	Puts Jul	Puts Oct	Puts Dec
Fisons (*169)	160	10½	20½	23	1	8	13
	180	1	10½	13½	12½	19	24½

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amstrad (*32)	30	4	5½	6½	2	3	3½
	35	1½	3½	4½	4½	5½	6½
Barclays (*478)	460	29	44	62½	10	17½	25
	500	8½	24	32	31½	38	46½
Blue Circle (*255)	240	23	29	35	5	12½	16
	260	10	18½	25	14	23	26½
British Gas (*305)	300	15½	20	26½	7½	15	18½
	330	9½	7½	12½	26½	34½	37
Dixons (*210)	200	18½	27	32½	6	12	18
	220	8	17	22½	16½	22	25½

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2884): [illegible]

EURO FT-SE INDEX (*2884): [illegible]

PUTS								
Aug	3	5	9	19	42	77	121	171
Sep	8	14	23	37	69	90	127	171
Oct	17	-	34	49	75	104	131	-
Dec †	-	-	60	-	103	-	160	-

July 28 Total Contracts 32,193
Calls 17,082 Puts 15,111
FT-SE Index Calls 4,369 Puts 3,117
Euro FT-SE Calls 1,293 Puts 840
*Underlying security price. †Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Wed Jul 28	Day's change %	Tue Jul 27	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	127.59	+0.27	127.24	1.09	7.35
2	5-15 years (23)	150.03	+0.59	150.15	1.85	8.07
3	Over 15 years (9)	165.31	+0.60	164.32	1.38	7.18
4	Irredeemables (6)	189.71	+0.43	188.89	2.33	7.35
5	All stocks (63)	146.82	+0.49	145.99	1.42	7.75
	Index-Linked					
6	Up to 5 years (2)	186.40	+0.08	186.25	1.54	1.92
7	Over 5 years (11)	177.22	+0.19	176.89	0.82	3.20
8	All stocks (13)	177.35	+0.16	177.04	0.63	3.06
9	Debs & Loans (69)	135.95	+0.68	135.05	2.90	5.75

AVERAGE GROSS REDEMPTION YIELDS

			Wed Jul 28	Tue Jul 27	Year ago (approx.)
	British Government				
1	Low	5 years	6.75	6.85	8.41
2	Coupons	15 years	7.72	7.79	8.80
3	(0%-7¾%)	20 years	7.85	7.91	8.80
4	Medium	5 years	6.92	7.02	9.32
5	Coupons	15 years	7.83	7.91	8.99
6	(8%-10¾%)	20 years	7.91	7.97	8.93
7	High	5 years	7.12	7.22	9.53
8	Coupons	15 years	8.09	8.16	9.18
9	(11%-)	20 years	8.11	8.18	9.09
10	Irredeemables(Flat Yield)		8.00	8.03	9.09
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.84	2.86	4.20
12	Inflation rate 5%	Over 5 yrs.	3.43	3.44	4.48
13	Inflation rate 10%	Up to 5 yrs.	2.06	2.07	3.45
14	Inflation rate 10%	Over 5 yrs.	3.24	3.26	4.30
15	Debs &	5 years	8.50	8.53	10.59
16	Loans	15 years	8.79	8.86	10.34
17		25 years	8.92	8.99	10.20

Compensation question at Brent Walker

By Maggie Urry

SIR KEITH Bright, chairman of Brent Walker, told shareholders at yesterday's annual meeting that the group was "considering a number of possibilities with regard to the financing of William Hill", the group's betting shop chain.

He said "when these become firm we shall give you further details."

Although questions from shareholders lasted for an hour, the meeting only occasionally became heated. One shareholder asked if the board were "all dummies" when the directors were unable to answer a question about compensation to former directors.

William Hill's syndicate of banks, owed £350m, are due to be repayed on March 1 next year. Options open to the group include a full or partial sale, flotation or refinancing of the debt.

A consortium of investors, led by SG Warburg, has approached Brent Walker with a £360m leveraged offer.

Asked about that offer Sir Keith said "there are one or two people around who would like to make a turn for themselves."

Any sale of William Hill would be subject to shareholder approval. He said William Hill's turnover was "substantially" higher following the start of evening opening, but that it had had a run of bad luck lately.

Since joining the group in January he had been reviewing all its activities. He aimed to improve profitability to provide a firm base for a "sensible financial and capital structure to be evolved". The review would be completed shortly, he said, and would go to the board and the group's banks. He said shareholders would be given details of these matters as they were resolved.

Asked about the £240,000 payment in compensation to former directors, Mr John Leach, finance director, confirmed that this was a payment to Lord Kindersley, the group's former chairman who resigned in July last year.

Lord Kindersley had had a five-year, fixed-term contract and was entitled to the salary for the remaining portion of the contract, Mr Leach said. The contract was signed when Mr George Walker was still chief executive of the group.

Sir Keith has a fixed three-year contract, running to January 1996. He was initially appointed on a salary of £15,000 a month for a two-to-three day week. That was increased to £20,000 a month for a three-to-four day week. He also receives £30,000 a year in pension contributions.

The company pays 75 per cent of his salary to a company of Sir Keith's with the rest directly to him. He has an incentive plan linked to the successful repayment of the banks' debt.

National Power says output to fall by 13%

By Michael Smith

NATIONAL POWER, the electricity generator, said yesterday it expected output to fall by 13 per cent to 95 terrawatt hours this year as competition for its coal-fired plants from nuclear power and gas-fired stations increased.

The forecast reduction follows a 7 per cent fall to 109 terrawatt hours last year.

Sir Trevor Holdsworth, chairman, told the company's annual meeting that it would be difficult to match profit growth of recent years. However, the current level of dividend cover provided scope for continuing increases in dividends.

Mr Brian Birkenhead, finance director, said the company intended to reduce dividend cover to about two and a half times, depending on market circumstances. Last year dividends were covered 3.1 times by earnings.

The City took news of prospective falls in market share calmly.

SG Warburg expects earnings per share growth this year to be about 10 per cent, against 15 per cent last year.

St James's Place buys fund manager

By Tracy Corrigan

ST JAMES'S Place Capital, the investment company run by Sir Mark Weinberg and Lord Rothschild, is to acquire International Financial Markets Trading, the specialist fund management company, as part of its drive to become a focused financial services company.

The move follows SJPC's unbundling of its stake in RIT Capital Partners earlier this week through a £137m cash and paper pay-out to shareholders, which reduced the size of the business by about a third.

SJPC has agreed with IFM's parent company, Bermuda-based Walsingham, to purchase all outstanding shares in IFM for $9m (£6m), comprising up of $2m in book value and $7m for goodwill. The existing management will also receive a share of this year's profits, which is likely to total some $3m in cash based on current expectations. Net profits before tax of IFM's continuing businesses were some $2.5m for the year ended December 31 1992.

The acquisition is subject to approval by Walsingham shareholders at a meeting on August 26.

IFM, set up in 1984 to trade its own capital, began to manage third-party funds in 1988 and currently has $455m under management, invested by institutions and high net worth individuals.

The company specialises in the growing area of hedge funds, which apply quantitative techniques, often using derivative instruments, to investment management.

Mr Clive Gibson, a director of SJPC, said that future acquisitions could include other fund management businesses, possibly using more conventional fund management techniques, or niche banking or stockbroking businesses.

He described the company's approach as "opportunistic", adding that any acquisitions would be "high-margin, focused financial services businesses."

SJPC's existing interests include insurance, through J Rothschild Assurance and fund management, through J Rothschild Investment Management, J Rothschild Capital management and Global Asset Management.

On completion of the acquisition, Sir Mark Weinberg will become chairman of IFM and Mr Gibson will join the board.

One of IFM's existing institutional investors, American International Group, the US insurance company, is engaged in discussions to acquire a minority interest in IFM from SJPC.

Excalibur incurs £6m deficit and makes boardroom changes

By Maggie Urry

PRE-TAX losses of £6.2m for the year to April 30, a halved dividend and a new position of group chief executive were announced yesterday by Excalibur, the precision engineering and jewellery group.

The outcome compared with profits of £20,000 last time, restated from £1.11m after applying FRS 3.

However, Mr Michael Griffiths, chairman, said decisive action had been taken to eliminate loss-making businesses, and there were plans to sell some assets to strengthen the balance sheet, which was just over 100 per cent geared at the year end.

The shares rose 1¼p to 13p. Earlier this year they had jumped on bid speculation to 20¾p, but fell back when talks with a possible buyer ended in May.

Mr Richard Griffiths, the chairman's brother, is stepping down as managing director to be a non-executive, and Mr Arthur Church, is joining as group chief executive.

Group sales fell from £65.1m to £61.6m. Profits from precision engineering came to £2.09m (£2.25m) after losses of about £500,000 at Hi-Ton. Giftware profits fell from £1.83m to £1.32m while jewellery losses rose to £1.81m (£1.14m). There were restructuring costs of £602,000 in precision engineering – where Hi-Ton will be merged with Burman on one site.

Provisions of £5.78m against the jewellery division and interest of £1.42m (£1.82m) contributed to the pre-tax loss. Losses were 10.5p (0.1p). The final dividend is halved to 0.3p to give a total of 0.5p (1p).

Courtaulds joint venture with Allied Colloids

By Zhang Tingting

COURTAULDS, the international chemical materials company, has formed a 50-50 joint venture with Allied Colloids, the speciality chemicals company, to produce Oasis, a new super-absorbent fibre.

A £8.4m plant will be built on the Courtaulds Fibres site at Grimsby. The new company will employ about 25 people and production is expected to start in late 1994.

Initial annual capacity is targeted at 1,000 tons. As demand grows, capacity can be doubled at an estimated addition of £2m, according to Mr Peter Flesher, managing director of Allied Colloids.

Chemically similar to the polyacrylate powders currently used for their super-absorbent properties, Oasis is designed for use in disposable personal hygiene products, wrappings for optical and power cables and speciality non-woven products ranging from construction to horticultural and medical applications.

The move was seen as in line with the growing trend to diversify risks and spread the costs of research and development in the industry.

INVESTMENT TRUST DIGEST

Continental Assets net value up 11%

CONTINENTAL ASSETS Trust reported a net asset value of 189.8p as at June 30, a year-on-year advance of some 11 per cent.

The figure after dilution for outstanding warrants showed a 10 per cent improvement to 175.3p.

The Ivory & Sime-managed trust, which concentrates its portfolio on small companies and "alternative" markets in continental Europe, saw available revenue leap to £695,000 (£289,000) over the six months to end-June.

Mr Ian Dalziel, chairman of the trust, said: "Declining interest rates in continental Europe will continue to enhance the attractiveness of equities compared with fixed interest financial instruments."

Earnings per share worked through at 3.2p (1.33p).

European Assets

European Assets Trust, quoted on both the Amsterdam and London markets, had a net asset value of FL 8.31 (94p) at June 30, up from Fl 7.07 at the same stage of 1992.

The trust, also advised by Ivory & Sime, reported net income for the half year to end-June of Fl 2.83m (Fl 3.49m) for earnings of Fl 0.11 (Fl 0.14) per share.

The interim dividend is maintained at Fl 0.08.

Sphere

Net asset value per zero dividend share of the Sphere Investment Trust rose from 71p to 80.4p over the 12 months ended June 30.

At the end-December 1992 year-end the figure stood at 75.6p.

For the income and residual capital shares the figures were 36.7p, 19.4p and 24.4p respectively. All figures were after deduction of prior charges at par.

Available revenue for the half year to June 30 rose from £1.96m to £2.81m, for earnings of 2.31p (1.61p) per income and residual capital shares.

A second interim dividend of 0.75p makes 1.5p (same) to date.

Murray Split

The net asset value of Murray Split Capital Trust was 176.1p per capital share at May 31 – a rise of 86 per cent on the 94.6p standing at the August year-end.

The value of the zero dividend preference shares rose from 112.6p to 122.1p over the same period.

Available revenue for the nine months to end-May was £615,000 for earnings of 7.69p per share.

As forecast, a third interim dividend of 2.65p makes 7.95p to date.

The total for the year is expected to be maintained at last year's annualised rate of 10.6p.

Hotspur Invs

Hotspur Investments, the Cazenove-managed trust which seeks to achieve long-term capital growth through an international equity portfolio, reported a net asset value, excluding income, of 382.82p per share at June 30, up from 319.61p a year earlier.

Directors said the 7.9 per cent increase compared with a rise of 5 per cent in the FT-A All-Share Index.

Net revenue for the six months to end-June was £26,549 (£22,437), equivalent to earnings of 4.3p (3.63p) per share.

Updown Inv

Updown Investment Company, also manged by Cazenove, reported a 13 per cent rise – from 531.1p to 600.35p – in net asset value over the six months to June 30 1993.

The latest figure represented a year-on-year advance of 22 per cent on 1992's value of 491.45p.

Retained profits for the half year, including the investment dealing subsidiary, were £272,000 (£297,000) for earnings down to 6.8p (7.42p) per share.

Directors said that full-year earnings should be sufficient to justify a maintained distribution of 12.5p.

Advance to £152.5m despite slight reduction in new business

Lloyds Abbey Life rises 7%

By Norma Cohen, Investments Correspondent

LLOYDS ABBEY Life, the life insurance group, yesterday announced a 7 per cent rise in pre-tax profits to £152.5m for the six months ended June 30, despite slightly lower new business activity in its two key subsidiaries.

Earnings per share came to 14.3p (13.9p), while the interim dividend was again 6.3p.

Profits in the Lloyds Abbey Life insurance division rose slightly to £69m, although new life and pensions business, on an annualised basis, fell by nearly 2 per cent to £106m.

The modest decline in sales coincides with a drop in sales agents at Lloyds Abbey Life. This follows new regulatory requirements on the training and competency of staff. From 3,500 sales agents at its peak, the number could fall to 2,500 by the end of this year.

Sales of unit trusts however, more than trebled to £371.5m.

Profits within the Black Horse Financial Services division, based in branches of Lloyds Bank, the company's 60 per cent shareholder, rose by 18 per cent to £60m, despite lower life and pensions sales. Much of the rise reflects the recognition in the current period of profits earned on older business under the embedded value method of calculating life insurance company profits.

Also within the past few weeks, the company has temporarily suspended its pensions transfers business at its Black Horse division while the Securities and Investments Board, the regulatory body which oversees its activities, completes a review of pensions policies sold through banks.

Pensions transfers, which represent less than 15 per cent of pensions policies sold at Black Horse, are policies sold to those transferring out of occupational schemes and regulators have become concerned that they are being sold to people who would be better off remaining where they are. Almost all banks which sell personal pensions have at least temporarily suspended their pensions transfers business.

Meanwhile, sales of unit trusts at Black Horse, more than trebled to £332m. Mr Stephen Maran, chief executive, said unit trust sales reflected "people who were dissatisfied with the rates they were earning on deposit accounts." Nearly half of the unit trust sales at Black Horse are from Lloyds Bank customers who have switched their own accounts into unit trusts.

However, he said that unit trust sales had experienced a "bulge" in the middle of the period and have slowed down slightly recently although they were still "quite strong".

Goode Durrant loss at £15.4m

By Catherine Milton

GOODE DURRANT, the industrial holding company, yesterday announced a deepening of pre-tax losses from £1.48m to £15.4m over the 12 months to April 30 1993, as accounting treatments obliterated small operating profits for the second successive year.

However, the shares rose 7p to 93p after the recommended final dividend was maintained of 3.25p, giving an unchanged total of 5.4p.

Losses per share were 31.2p (6.3p).

Mr Michael Waring, chief executive, said: "For the first time for a number of years we can now look forward with confidence."

He said the company remained cautious about the outlook for the economy in general.

Turnover fell to £173.5m (£178.2m) including £101.8m (£103.5m) from Laidlaw Leasing, which the company sold to Quick's Group after the year-end for £8.2m cash.

The company incurred an £18.4m loss on the £26m acquisition, made in 1987, as a result of a goodwill write-back.

The comapny had already provided for this and it did not affect shareholders' funds.

Under new accounting rules, this and other one-off charges made a total of £19.8m in exceptional items which wiped out pre-exceptional profits of £4.45m (£5.09m).

The Northgate vehicle hire division made the largest contribution of £3.53m (£2.52m) to pre-exceptional profits and pre-tax profits, with associated undertakings contributing £1.32m (£1.08m).

The remaining element of Laidlaw, a leasing business, made reduced profits of £172,000 (£341,000), contributing to pre-exceptional profits with equipment hire declining into losses of £172,000, compared with profits of £300,000 in the previous period.

Housebuilding and construction also contributed a pre-exceptional loss of £168,000 against profits of £362,000 last time.

Goode Durrant had net borrowings of £19.2m (£34.8m), with the Laidlaw disposal helping to reduce debt by about £15.6m.

Gearing, including vehicle finance, fell from 71 to 39 per cent.

French aid helps D Smith to £27m

By Paul Taylor

DAVID S Smith (Holdings), the paper, packaging and office supplies group, reported sharply higher full-year profits and said trading volumes were improving in the UK, but deteriorating on the Continent.

Mr Peter Williams, chief executive, said although UK prices remained depressed, volumes in packaging "are moving ahead by about 3 to 4 per cent."

Pre-tax profits increased by 76 per cent to £27.1m in the year to May 1, fuelled by a full-year contribution from Kaysersberg Packaging of France which was acquired at the start of April 1992.

That compared with £15.4m in the previous year when profits were depressed by £8.7m of costs for redundancies and other reorganisation expenses.

Earnings increased to 22p (11.5p). The final dividend of 7.25p makes a total for the year of 10p (9.5p).

The latest results were unchanged from the estimates made last month when the group announced the £95m acquisition of Spicers, the UK's largest wholesaler of office products, from Svenska Cellulosa of Sweden.

Turnover rose to £518.9m (£361.5m) and operating profit jumped to £38.1m (£13.3m) including £24.2m (£1.8m) from Kaysersberg.

Interest charges of £11m, against net income of £2.1m, reflected increased borrowings following the Kaysersberg acquisition and the capital investment programme.

● COMMENT

David S Smith's recent performance has been fuelled by the acquisition of Kaysersberg which has helped disguise the severe impact of the recession on the UK paper and packaging businesses. Spicers will add an important third leg to the business while the tentative first signs of the long-awaited turning of the cycle should eventually bring relief to St Regis Paper which nevertheless remained in profit last year because the results of specialist mills offset those from the commodity corrugated case materials mills. First half performance will be held back by the completion of the Kemsley development programme, but full year pre-tax profits of £44m and earnings per share of 26.3p are expected producing a prospective p/e of 14.4.

Prestwick shares dive on profits warning

By Paul Taylor

PRESTWICK Holdings, the printed circuit board manufacturer, warned yesterday that it would incur a pre-tax loss of about £3.7m for the year to July 31 and would be forced to pass the dividend on its cumulative convertible redeemable preference shares.

The company's ordinary shares fell sharply after the warning and closed 12p lower at 29p while the preference shares lost 35p to close at 58p.

The warning follows the resignation early last month of Mr Wayne Osman, the group's former chief executive who had run Prestwick since 1990. Mr John Gilhooly, a senior figure in the electronics industry and deputy chairman of Albacom, became acting chief executive and deputy chairman.

Mr Gilhooly instigated a "major strategic review" of the business against the background of erratic customer demand, price pressures and increased raw material costs which have continued to affect trading.

The review highlighted the problems Prestwick has had with a number of small acquisitions it had made over the past 2½ years. "We have suffered very badly from not digesting the small acquisitions we have made," said Mr Alastair McKie, executive director, yesterday. "Not only did they not contribute, they incurred losses."

A projected £3m operating loss for the current year comes after £2.1m in provisions for non-recurring items including obsolete fixed assets. Mr McKie said all of the operating losses are attributable to these "smaller business units". In addition interest costs are expected to total about £700,000.

Because the loss will eliminate distributable reserves the company will be unable to declare a further dividend in respect of its 7.25 per cent preference shares. However, the group intends to restore dividend payments "at the earliest possible date," probably following a capital reorganisation.

The company said that as a result of the strategic review "vigorous management action" is being taken to reduce costs, implement profit improvement programmes and strenghthen financial controls.

As part of this process Mr McKie said the group was being organised into three operating companies, one comprising the smaller business units and the other two based on the group's Ayr and Irving plants.

The group emphasised that the trading prospects of the core business remain sound and that it continued to enjoy the support of its principal bankers. The preliminary results are expected to be released at the end of September.

BAT to cut price of US cigarettes next month

By Philip Rawstorne

BAT INDUSTRIES will begin discounting a number of its US cigarette brands next month in response to Philip Morris's reduction in the wholesale price of Marlboro.

Mr Martin Broughton, BAT's chief executive, said yesterday that the wholesale price of Kool and Capri, its main premium brands, would be reduced by 40 cents a pack to match the Marlboro discount.

At the same time, the list prices of its lower-priced brands, notably GPC, would be raised.

"It is too early to say what will happen in the retail market," he said. But tactical action would be taken where necessary to protect market share.

Sir Patrick Sheehy, chairman, said: "The most recent developments indicate that the price of full revenue brands will be permanently reduced, making the industry as a whole less profitable but still strongly cash generative."

It was not the end of the road for premium brands, he added. "The top end of the market is still highly profitable." However, improving margins on discount brands would not fully compensate Brown & Williamson, BAT's US subsidiary, for the profit reduction.

Though the US price war would have a continuing impact into 1994 and beyond, Mr Broughton said it was unlikely to spread to other international markets. "The US market is different from the rest with higher margins and different pricing categories." The effect on BAT's results in the first half of the year was largely confined to a $75m (£50m) drop in Brown & Williamson's trading profits, as a result of reductions in the stocks of Kool held in the trade.

Overall operating profits from tobacco operations increased from £518m to £623m on turnover ahead from £5.51bn to £5.63bn.

Eagle Star £12m in red

By Richard Lapper

THE LEGACY of its expansion in the late 1980s yesterday came back to haunt Eagle Star, the insurance subsidiary of BAT Industries, which reported unexpected losses of £57m on its discontinued mortgage indemnity business in the first six months of 1993.

The deficit offset a profit of £45m on other lines leaving the group with £12m pre-tax losses.

Pre-tax profits at Allied Dunbar grew by 17 per cent to £74m. Farmers' produced a 6 per cent increase in its trading result to £216m, lifting overall profits from financial services to £303m (£208m).

The new mortgage indemnity losses have arisen on agency pool business, in which Eagle Star insured loans made by the Canadian Imperial Bank of Commerce and some centralised lenders.

The policies provided additional insurance cover to lenders for any losses suffered on the sale of repossessed properties, and are usually additional to domestic mortgage indemnity policies. While domestic mortgage indemnity usually cover losses equal to up to 30 per cent of the value of a mortgage, the agency pool policies typically cover any remaining exposures.

The group withdrew from these lines of business in 1990 but Mr Martin Broughton, chief executive, is expecting further losses in the second half of 1993.

"It is very difficult to read but my best guess would be a further £50m in losses," said Mr Broughton, adding that Eagle Star had also been surprised by a 25 per cent increase in the average cost of agency pool claims to £26,000 in the first half.

Total losses from agency pool business amount to £200m, contributing to an overall deficit to date from commercial and domestic mortgage indemnity insurance of more than £900m.

Excluding agency pool losses, underwriting deficit fell to £97m (£172m).

NEWS DIGEST

Northern Foods in milk deal

NORTHERN FOODS is adding to its liquid milk business through the £7.2m purchase of MD Foods' activities in the south-west of England

Northern said the deal would strengthen its position as a substantial milk buyer when the Milk Marketing Board is abolished next year.

The acquisition is conditional on not being referred to the Monopolies and Mergers Commission and is unlikely to be completed before October.

MD Foods, the UK subsidiary of Denmark's largest dairy group, bought the business as part of its purchase of Co-operative Retail Services' dairy division in July 1992. It decided the Bristol dairy, which handles 42m litres a year, and has annual sales of £19m, was too small to justify the capital expenditure needed to bring it up to the standards of its other dairies.

Northern is buying seven depots but will not take over the Bristol dairy, which MD will close with the loss of 125 jobs.

Northern Foods will upgrade its own dairy at Thornbury, north of Bristol.

Aitken Hume turns in £2.69m

Aitken Hume International, the financial services and banking group, made a pre-tax profit of £2.69m for the year to March 31, compared with £2.91m last time which included £2.02m from the Bachmann Group to its disposal on March 6 1992.

Earnings per share were 1.04p, compared with 2.12p before extraordinary items and 19.84p losses after. The dividend is 1p (0.5p).

Andrews Sykes warns on outcome

Shares in Andrews Sykes fell 17p to 100p after the industrial services company warned that first-half results would be "significantly below those of last year."

Mr David Hubbard, chairman, told the annual meeting that the expected upturn in demand had not materialised in the first quarter to June 30.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aitken Hume Intl	fin	1	Oct 1	nil	1	0.5
BAT Inds	int	7.9	Oct 14	7.3*	-	18.6*
Banks (Sidney C)	fin	2	Oct 8	5.5	9†	8.25
Clayhithe	fin	1.75	Sept 3	1.75	2.5	2.5
Dyson (J&J)	fin	3	Oct 1	3	5	5
Euro Assets Tst	int	0.08‡	Sept 23	0.08	-	0.2
Excalibur	fin	0.3	Oct 1	0.6	0.5	1
Goode Durrant	fin	3.25	Sept 30	3.25	5.4	5.4
Grosvenor Inns §	fin	2.25	Sept 17	-	4.25	-
Lloyds Abbey	int	6.3	Oct 8	6.3	-	17.3
Mitie	fin	2	Oct 1	1.5	3.5†	2.75
Murray Split Cap	int	2.65★	Sept 22	2.5	-	10.6大
Smith (David S)	fin	7.25	Oct 1	6.75	10†	9.5
Sphere Inv Tst	int	0.75☆	Aug 31	0.75	-	3.1

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. *Adjusted for scrip issue. ☆ Second interim making 1.5p to date. ★Third interim making 7.95p to date. 大Annualised. ‡Dutch guilders.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 28.07.93: Pool purchase price £/MWh	Final Prices for Trading on 01.07.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	20.50	18.09	18.09
0100	19.95	18.05	18.05
0130	19.95	18.04	18.04
0200	19.95	18.04	18.04
0230	19.95	18.04	18.04
0300	19.95	18.04	18.04
0330	19.95	18.04	18.04
0400	19.95	18.04	18.04
0430	19.95	18.04	18.04
0500	34.00	18.04	18.04
0530	18.01	18.06	18.06
0600	18.01	18.06	18.06
0630	17.98	18.07	18.07
0700	20.76	23.82	28.43
0730	22.19	23.93	28.32
0800	24.16	25.43	29.73
0830	24.36	26.77	31.02
0900	26.01	28.79	31.04
0930	27.22	28.99	33.32
1000	27.23	30.47	34.86
1030	27.23	30.47	34.86
1100	27.23	28.83	31.07
1130	31.60	30.50	34.89
1200	34.00	33.12	37.80
1230	34.00	33.10	37.58
1300	34.00	30.45	34.78
1330	[illegible]	[illegible]	[illegible]
1400	[illegible]	[illegible]	[illegible]
1430	[illegible]	[illegible]	[illegible]
1500	[illegible]	[illegible]	[illegible]
1530	[illegible]	[illegible]	[illegible]
1600	[illegible]	[illegible]	[illegible]
1630	[illegible]	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]
1730	[illegible]	[illegible]	[illegible]
1800	[illegible]	[illegible]	[illegible]
1830	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]
1930	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]
2030	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]
2130	[illegible]	[illegible]	[illegible]
2200	[illegible]	[illegible]	[illegible]
2230	[illegible]	[illegible]	[illegible]
2300	[illegible]	[illegible]	[illegible]
2330	[illegible]	[illegible]	[illegible]
2400	[illegible]	[illegible]	[illegible]

[illegible]

COMPANY NEWS: UK

Blood, sweat, tears and Spears

Andrew Baxter on the medicine being applied to aid recovery at Jones & Shipman

"THIS COMPANY never used to have a make-or-buy policy. It made," says Mr John Wareing, managing director of Jones & Shipman, the Leicester-based company which is one of the most famous surviving names in Britain's machine tool industry.

"When I arrived in 1990 they made their own packing cases. They were the best packing cases in the world but it wasn't cost-effective," he recalls.

J&S no longer makes packing cases, but it is not out of the woods yet.

This week, Mr Wareing will be meeting an unidentified trade investor, believed to be a continental European machine tool company, which may take a stake in the company as part of a possible new equity issue.

The talks could herald a new start for a company founded in 1899 but which until recently was "a dinosaur dying on its feet," according to Mr Len Weaver, chairman. They could also lead to the kind of cross-border collaboration that the fragmented, financially weak European machine tool industry badly needs.

Over the years, J&S has suffered from the same problems that bedevilled other UK machine tool companies now long departed – technological conservatism, arrogance towards customers, and an inward-looking management prone to infighting.

Its big problem in the current recession, though, was its manufacturing strategy. "If you've got a big machine shop and there's no work coming through it becomes a massive overhead," says Mr Wareing.

As sales dived from £30.9m in the year ended March 1990 to £15.9m in 1991-92, turning a £2.1m pre-tax profit into a £7.35m loss, Mr Wareing tried everything to stem the flow of red ink. The workforce was cut from 750 in 1990 to 520 by last July, short-time working was introduced, but, he says, "all the medicine was not going to work."

Eventually, last July, Mr Wareing unveiled a strategy that would be the last chance for survival. J&S would sell its honing and small tools businesses to concentrate on its core business of grinding machines, virtually ending in-house machining of parts by switching to out-sourcing, and reduce its manufacturing space.

A year later, the main machine shop at Leicester is unrecognisable. Empty areas are roped off, the manufacturing space has been reduced by more than half, and the overall workforce has been cut to 324 and will level off at 260 by October.

It has been a year, says Mr Wareing, of "blood, sweat, tears and Spears" – a reference to Mr Alan Spears, the new manufacturing director who joined the company last August.

"We couldn't have done all this with someone who had been here 20 years and had a sentimental attachment to anything," says Mr Wareing.

Mr Spears and his team vetted 584 suppliers, visited 178 and signed up 12, all from the UK, for long-term supply deals. This will rise to 25 soon as ad-hoc outsourcing is converted into long-term arrangements.

The effect on the company's operating ratios has been equally dramatic. Break-even levels have been halved in the past two years, says Mr Wareing, and a third of the reduction has come in the past year. Meanwhile, Mr Wareing has slashed the J&S management from 39 before the recession to just 16.

There is a long way to go, but Mr Wareing is now much less worried about J&S' competitiveness against its continental rivals – companies like Elb and Blohm of Germany and Switzerland's Mägerle and Kellenberger, which all subcontract as a matter of course.

Unfortunately, however, the restructuring has gone awry financially. Originally, J&S believed it could fund it internally, but this has not happened for three reasons:

- The small tools business was sold in February to a division of Suter for £780,000, but Mr Wareing decided to keep the honing machine business, realising the potential of selling grinding and honing machines as a package;
- One plot of vacated land next door to the main factory has been sold subject to contract, but two others are unsold. "I'm not going to sell the family silver at silly prices," says Mr Wareing;
- The recession has continued to depress order books.

John Wareing: with sales plummeting everything was tried to stop the flow of red ink

Mr Wareing does not want to borrow any more, preferring to keep gearing at its current level of 40 per cent. Instead, he says: "We now need to convert some debt into equity by going to the City for some money."

How much, and in precisely what form, is not clear but Mr Wareing is hoping institutions will line up behind the trade investor to provide the cash.

The deal, he concedes, is very important for J&S. "It will give us the headroom to complete the reorganisation, continue with our product development programme and take the business forward."

In spite of its past mistakes, J&S deserves to survive and prosper. Its shares may have plummeted from a 1990 high of 177p to 22p yesterday, valuing it at £2.68m, but it is one of the biggest and most innovative UK machine tool builders and employers.

Over the past two years J&S has emerged as a world leader in "creep feed" grinding technology which it acquired from the US Brown & Sharpe company in 1991 and has since developed further.

Creep feed grinding removes large amounts of metal from a part in one go, giving increased productivity compared with conventional machining. It is used extensively in the aerospace industry but J&S is already selling it in non-aerospace markets where the technology has hardly scraped the surface.

On top of this, J&S has notched up important successes recently in the Far East, and has re-established its name in the US market by substituting its own sales operation for a joint venture with Brown & Sharpe.

Mr Wareing sees signs of increasing confidence in the UK market, and says devaluation in Europe has given J&S a tremendous advantage in Europe to add to its internal productivity improvements. The only problem is that continental markets are going the opposite way to the UK at present.

The identity of the trade investor is likely to be revealed in September, and 1992-93 results have been delayed because of the talks.

Some observers believe the best solution would be a German partner. J&S acknowledges it is very weak in the German market, which in spite of its current doldrums is still the most important market in Europe.

Two things seem certain about the planned equity issue. In the current climate in the European machine tool industry, the deal will be mutually beneficial. And shareholders, which include Postel, Invesco and Prudential, will suffer some dilution depending on the terms.

However, Mr Wareing is the sort of no-nonsense executive that the City likes to see running engineering companies, and seems to have investors on his side.

"He's delivered on virtually everything he promised, which is not an easy job in a company with so many traditions," says one institution.

"The proposals don't cause us a problem, and our main point of concern is that the company survives and goes forward."

FINANCIAL TIMES THURSDAY JULY 29 1993

COMPANY NEWS: UK

Paul Abrahams sets the scene for today's ICI result

Relaunch into more enterprising culture

IMPERIAL Chemical Industries, flagship of British manufacturing industry, will today announce its first results without Zeneca, its recently floated bioscience operations.

Mr Ronnie Hampel, ICI's new chief executive, will have the opportunity to describe how he intends to navigate the world's sixth largest chemical group through the malaise that has overwhelmed the sector.

The demerger's aim is to allow ICI executives to concentrate on a narrower range of businesses, and to release what Mr Hampel calls "creative management energies."

ICI is being relaunched with a very different and much more enterprising and profit-conscious culture, he argues.

ICI could have done with some creative management in the past. As Mr Hampel admits: "Our focus on profitability was less good than it should have been. ICI did not drive its businesses, good or bad, hard enough."

Management will need to be especially creative; the trading environment is grim and Mr Hampel's targets are challenging. Each business will be required to achieve a rate of return on assets employed of at least 20 per cent on average over the next five years.

His ability to achieve such targets will depend partly on management and partly on the economic cycle.

The company is two thirds of the way through a three-year restructuring programme aimed at saving £400m a year.

About 17,000 jobs have disappeared. A further 7,000 will go over the next three years, and another 8,000 through disposals of non-core and under-performing businesses, according to Mr Hampel.

However, such measures may only allow ICI to stand still, given the poor business environment. Most of the group's activities are heavily cyclical, capital-intensive operations whose profitability is volume-related.

Prices for ICI's products will have to improve before it can start increasing profits significantly. Mr David Ingles, chemical analyst at brokers James Capel, explains: "Prices depend upon the demand and supply balance and this is almost impossible to predict in terms of either its extent or timing."

Trevor Humphries

Ronnie Hampel: chance to describe his navigation skills

On the plus side, about a quarter of ICI's turnover is in the US, where a patchy recovery is happening. A further 20 per cent is generated in the fast-growing Asia-Pacific region, although some of that is in Australasia. The UK market, which accounts for about 25 per cent of sales, is also recovering, but slowly.

On the minus side, continental Europe, which generates 25 per cent of turnover, is decelerating rapidly, to the extent that it could undermine the UK recovery.

Some divisions are less affected by the economic malaise.

Both paints and explosives are stable businesses. Paints generated sales of £1.5bn last year and operating profits of £115m. Kleinwort Benson is predicting profits of £107m for the full year.

Operating profits from explosives last year were £59m on turnover of £549m and £50m is forecast on sales of £600m this year.

Results at the materials division are likely to be be dire. With sales of £1.8bn last year – 22 per cent of group turnover – the division incurred a £25m loss and is expected to make only £10m for the full-year.

More difficult to predict is the performance of ICI's industrial chemical division, which still dominates the company. It made sales last year of £3.5bn, 42 per cent of group turnover, and lost £17m in the process.

The medium-term outlook for industrial chemicals remains grim. Prices of PVC – of which ICI's partly owned subsidiary EVC is Europe's largest manufacturer – have fallen from a peak of DM1.85 in 1989 to DM1 during the second quarter of this year.

In the longer term, investors are betting that the division's profitability will recover to the peak levels of 1989, when as industrial products it reported trading profits of £789m on sales of £5.7bn.

But even if demand picks up, it is doubtful that profits will reach such levels.

Mr Ingles reckons that there will be no repeat of the rapid recovery seen in the 1980s and the massive imbalance between supply and demand is likely to dominate the sector for many years. One leading manufacturer of titanium dioxide – ICI is the world's second largest producer – thinks that it could be 1997 before demand catches up with supply.

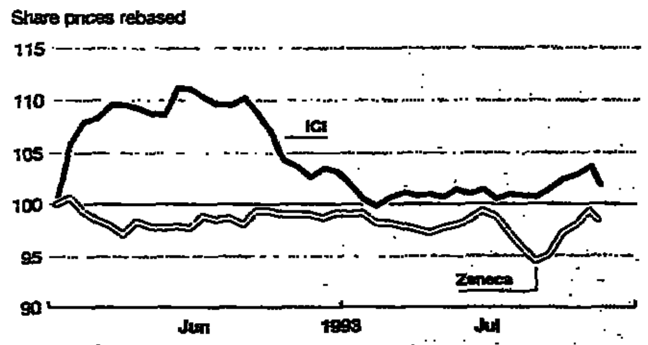
Mr Hampel recognises that most ICI businesses are cyclical and there is little he can do to change cyclical fluctuations in demand. He says the company has a simple overall objective – to enhance shareholder value by developing businesses selectively and profitably.

"Gone are the days when ICI could afford to carry businesses in which we can have no competitive advantage and which do not have profitable potential," says Mr Hampel.

The less profitable are likely to be selected out of the company. Some businesses will be disposed of or swapped, though not necessarily in the near future. The company has low debts and is not a distressed seller.

The ICI that leaves the 1990s will be very different from the one that entered the decade. Mr Hampel now has to prove that it can be more profitable.

Relative performance since demerger



Source: FT Graphite

Zeneca faces struggle to beat hostile environment

ZENECA, ICI's recently floated bioscience business, could not have been born at a more inauspicious time. Its pharmaceuticals, agrochemicals and specialities businesses are all struggling in an extremely hostile environment.

Healthcare reform in Germany and Italy have stunned the European drugs market, which is now static compared with an 8 per cent increase last year.

Reforms in France and the UK, as well as additional measures in Germany, are expected over the next 12 months.

In the US, reforms are also being prepared by the Clinton administration, although the expanding power of bulk buyers of healthcare will probably have more impact than any reforms.

Meanwhile, Zeneca's pharmaceuticals division is struggling with the US patent expiry of its best-selling drug, the heart treatment Tenormin. Once the world's fifth top-selling drug, with sales of £652m, its US sales have halved in less than 12 months.

As for the agrochemical sector, in which Zeneca is the second largest after Ciba of Switzerland, it is struggling with higher development costs – a direct result of greater regulation – and a stagnant market.

The reforms of the Common Agriculture Policy have knocked the European market, the world's largest, backwards.

Speciality operations are also suffering from the general recession. Mr John Mayo, Zeneca's finance director and architect of its split from ICI, admits the division's results are unacceptable.

Zeneca's most important operation is the pharmaceuticals division, with sales last year of £1.6bn. The best way of dealing with the new price-conscious drugs environment would be to compensate with innovative compounds that can drive growth through volume.

Zeneca has four products with fast expanding sales. Three: Zoladex, Nolvadex and Diprivan, are hospital products and protected from the worst of the healthcare reforms in Germany and the US. The fourth is Zestril, a heart drug, which must struggle against a large number of competitive products in the same class. The group will have its work cut out to differentiate the product, particularly in the US.

These four products will start to stagnate in about 1996 or 1997, according to Kleinwort Benson analysts. After that, growth will depend upon new products such as the antibiotic Merrem, and Casodex, a treatment for prostatic cancer. Beyond that is Accolate, an asthma treatment, and Seroquel, a therapy for schizophrenia.

Zeneca has thoroughly reorganised its research and development activities in recent years. Its management maintains that all being equal its drugs should not fail during the development process, like some of its earlier compounds such as Statil and Corwin.

In the meantime, Zeneca's management must show its teeth in adapting to the new environment. Other pharmaceuticals groups have been busy adjusting their cost-bases to adapt to the new circumstances in Italy, Germany and the US. Zeneca has laid off about 100 pharmaceuticals sales representatives in the US.

Additional cuts may be necessary in the pharmaceuticals division, and will certainly be obligatory in the specialities businesses, which last year generated operating profits of only £26m on sales of £936m.

Zeneca's agrochemicals business generated sales last year of £1.2bn. Its future is secure, but profitability is a problem and competition is becoming tougher.

A series of mergers and acquisitions are creating significant opposition. Shell's business has been acquired by American Cyanamid; Rhône-Poulenc of France has linked up with Sumitomo of Japan; and Schering, the Berlin-based group, is forming a joint-venture with Hoechst of Germany, which in turn is taking on the agrochemicals business of its majority-owned subsidiary Roussel-Uclaf of France.

In the immediate future, Zeneca's agrochemicals business may surprise, following useful agrochemicals results reported last week by Monsanto of the US. But in the longer term, the operations will find the going ever-tougher.

Zeneca's management insists the company is sufficiently large to cope with the new harsh environment. That may be so. But Zeneca will have to be nimble. Freed from the deadening hand of ICI's Millbank headquarters' bureaucracy, the company must now show it can adapt quickly enough to survive.

TECHNOLOGY

The telephone has joined forces with the computer to become a potent marketing tool, writes **Della Bradshaw**

On the line to a wider service

Sexy chat lines and quiz games have meant fast bucks for the telephone service companies and a bad reputation for premium-rate telephone calls.

But increasingly, audiotex, which combines computer processing power with traditional telephone services, is being used as a marketing tool to improve customer service and sell more products, be it bottles of beer or airline tickets.

UK furniture retailer Maples, for example, decided to use a special telephone service to back up its national press advertising. When the adverts appeared, the company needed one number which potential customers could call to inquire about the colour and fabric of sofas or chairs.

"Rather than try to train third-party people about our business we decided to use the trained staff out there in our stores who already knew our business," explains Mark Collier, marketing operations manager for Maples. "So the object of the exercise was to find a way of putting our customers directly in contact with their local store."

The answer was to advertise a single telephone number and then automatically divert callers to their nearest Maples shop. This was achieved by matching the national map of post codes with a similar map of telephone numbers – when the customer calls, a computer recognises his or her number and then ascertains the nearest store.

When the stores are closed, a recorded announcement gives the location of the nearest store and invites customers to call back the following day.

The 21 Maples stores receive between 300 and 400 calls a month as a direct result of the service. But the success of the venture is difficult to determine, other than through anecdotal evidence, says Collier. "In conversations with our store managers quite a few have commented that people have called about the adverts and then come into the stores and bought something. What we do know is that we sell a lot more of the suites that we advertise than of those that we don't."

In the US, audiotex services are a way of life – freephone calls are a $75bn (£50bn) market and 25 per cent of all long-distance traffic there carries freephone calls. In the UK, worries about adult, or "pink" services and complaints from angry parents about their teenage offspring clocking up large telephone bills have tended to hamper the market. As a result business services are only just begining to establish themselves.

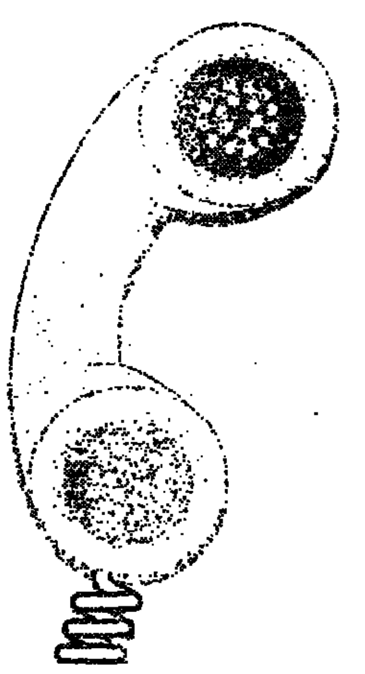
These days, 25 per cent of all television adverts in the UK carry an 0800 number. "In the UK, we're heading towards more serious business services," says Jacqui Howett, business development director of Legion, the London-based voice processing company which specialises in setting up telephone services for clients such as Maples. "More and more services are business to business."

How popular are telephone-based services?

To businesses	UK	France	Netherlands	European average
Base (number of respondents)	74	78	53	714
Application	%	%	%	%
Financial	55	30	42	51
Purchasing	65	49	30	58
Services/help lines	32	25	26	40
Government/public information	18	34	28	36

To consumers	UK	France	Netherlands	European average
Base (number of respondents)	75	79	52	702
Application	%	%	%	%
Entertainment	15	8	2	13
Televoting/fund raising	28	30	23	32
Financial	28	41	38	37
Shopping/promotions	29	32	60	36
Services/advice lines	36	43	33	50
Government/public information	28	49	40	44

Source: Eurodata Foundation '1993 Eurodata Premium Rate Services Report'



The UK is not the only European country where this is happening. According to a recent Eurodata report on premium-rate services, the European market for such services will grow from $1bn in 1992 to more than $2bn in 1995.

Maples' decision to operate a business audiotex line was taken because it was "very cheap and easy to operate," says Collier. "It is an easy system to manipulate and manage if we open a new store."

Maples uses an 0345 number, so callers pay as if for a local call and Maples pays the rest of the charges – less than £5,000 a year in total. The alternatives would have been to use an 0800 or 0500 number, where the call would have been free to the caller, or a premium rate number, prefixed with codes such as 0891 and 0839 where the caller pays a premium rate of 36p or 48p a minute. "When we started off, we didn't know how many calls would be made or how much it would cost, so we thought the fairest thing was to go for a half-way house,"

'Eventually people will begin to look at telephone lines as they do a traditional coupon on an ad'

explains Collier. "We didn't want to make money, that didn't sit very comfortably."

Other companies are not so reticent. Many companies now run competitions which involve telephoning at the premium rate to give the correct answers. "It can bring a number of benefits to the brand," says Matthen Hooper, managing director of marketing communications company Interfocus. "It can extend the budget and can be re-invested in the campaign. Or it sometimes gives the funds for a mail shot of information."

Charities are also big users of premium-rate lines. The choice depends on the objective, says Howett.

"If the objective is to generate revenue to help cover the costs of the promotion, then premium-rate calls are the answer. If you want to create a customer database, then an 0800 number is best. If you don't want to overcharge but you want to eliminate every Tom, Dick and Harry that calls on a freephone line, then an 0345 is the answer."

For many companies, automated answering is seen as a way of reducing costs. "Faced with the ever rising cost of employing live telephone agents, telemarketing operations are increasingly looking to use automated telemarketing to supplement their live agent operations," Howett says. "The beauty of automated systems is that you only pay for the calls you receive, not for an operator sitting there all day."

Others are combining traditional human answering services with computer-aided telephony for out-of-hours or overflow calls.

Automated answering is most suitable for mundane repetitive inquiries, Howett points out. "We can weed out the people who want the basic information and then pass the more complicated inquiries on to the company's operators."

Many companies run a short-term promotion campaign, while others keep the numbers open on a long-term basis. The choice of service depends on the target audience, says Howett. "You don't need a sophisticated service if you're target market can't handle it." That said, many organisations use surprisingly complicated services.

Legion, for example, frequently runs competitions for its customers where the computer can tell whether the answers given by the competitor are correct or incorrect, either by asking them to key in numbers on the telephone keypad, or by using voice recognition technology. (The latest systems can recognise a string of common words including numbers from one to 10.) If correct, the caller is then asked to leave his or her name and address.

This is recorded and the service provider can then pick the winners at random or pass the tape of all successful respondents back to the client to select the winner.

Other organisations have learnt to exploit very skilfully the value of the lines. The Anthony Nolan Bone Marrow Trust, for example, runs two professionally scripted lines, recorded by UK celebrities Joanna Lumley and Gary Lineker. They invite the caller to do three things: donate money; leave their name and address as potential bone marrow donors; and listen to information on the work of the trust.

Other organisations are making businesses out of "fax on demand" services where, by tapping in a premium number on a fax machine, textual information is automatically sent out to that fax number. Telecom Express, for example, runs a service for the Evening Standard sending out the financial pages to those who request it.

Foreign newspapers could be sent to readers in the UK this way, as already happens in the US, says George Porchester, one of the founding shareholders of Telecom Express. Porchester believes one of the developments in the near future will be the combination of premium voice and fax services, so that if a caller wanted further information after listening to a live operator or recorded message, details could be sent automatically by fax.

Eventually, says Hooper, "people will begin to look at telephone lines as they do a traditional coupon on an ad. They will begin to see they can get information immediately and at half the cost."

The little engine that could

Michiyo Nakamoto on a machine that offers power from less fuel

An engine that provides high power on low fuel consumption is the object of a never-ending quest for the car industry.

Mazda, the Hiroshima-based car maker, claims to have made great strides in that pursuit with an engine that raises fuel efficiency by 10 to 15 per cent, compared with conventional engines without losing power.

The new engine is known as the Miller-cycle engine, after Ralph Miller, an American engineer who came up with the theory in 1947.

According to Mazda, its Miller-cycle engine will combine the fuel efficiency of a 2,000cc engine with the power of a 3,000cc engine.

The improvement means that each car using a Miller-cycle engine will emit 600kg less carbon dioxide in a year, which, in effect, is equivalent to planting 100 trees, according to Kouichi Hatamura, manager of the Powertrain Engineering Promotion Group at Mazda.

Given the growing concern with environmental protection, "the key to future competitiveness lies in how much an engine reduces the amount of CO_2 it emits," Hatamura believes.

Mazda's faith in the importance of creating an environmentally friendly engine kept the company's development team working long after others had given up on putting it to practical use in cars.

In the 1980s, no less than General Motors of the US, and Nissan of Japan, among others, put a lot of work into developing the Miller-cycle engine.

The problem facing car makers is that increasing the power of a car usually leads to lower fuel efficiency. Specifically, the power of a car to turn its wheels, known as torque, increases in proportion to the amount of air and fuel that is injected into the engine.

The energy that creates torque results from the movement of the piston in the engine's cylinders that compresses the air and fuel mixture in an upward stroke. The pressure on that air-fuel mixture causes combustion. Energy is released in the piston's next movement known as the expansion stroke. The larger the expansion stroke, the greater the engine's torque.

One way to increase torque is to push more air and fuel into the same amount of space. The problem is that although it allows high fuel efficiency, it tends to raise the temperature of the engine and create abnormal combustion, known as knocking.

Mazda'a Miller-cycle engine overcomes that problem by keeping the intake valves through which the air and fuel mixture enters the cylinder open for part of the compression time. This prevents the temperature from rising too much and thereby avoids knocking.

The intake valve is left open until the piston rises one-fifth from the bottom and some of the air-fuel mixture flows out of the cylinder at this time. The valve is then closed for a shortened compression stroke.

However, the shorter compression stroke means that the pressure is reduced. And when this happens, expansion is reduced as well.

So Mazda had to find a way of keeping the pressure high so as not to reduce the amount of expansion, which would in turn have reduced the torque.

What it needed was a new type of compressor to do the job.

Working with Ishikawajima-Harima Heavy Industries, the company adapted the Lysholm compressor – found in some ships and in industrial use – for use in cars.

With the Lysholm compressor, twice the pressure of conventional compressors can be applied to the air-fuel mixture when it is pushed into the cylinder. Since the mixture is already compressed, even with a reduced compression stroke by the piston, expansion is not reduced.

The compressed air-fuel mixture also contributes to the fuel efficiency of the engine.

Mazda plans to introduce its new engine in some of its higher-end cars in about a year. It will be the first time in more than 40 years for the Miller-cycle engine to be brought to practical use in cars.

Coffee producers meet to thrash out cartel details

By Bill Hinchberger in Sao Paulo

LATIN AMERICAN coffee producers today begin a two-day meeting in Rio de Janeiro to thrash out details of the exporters' cartel through which they hope to drive up prices from the present depressed level.

They have already succeeded in lifting world market values from the recent 20-year lows by agreeing to withhold 20 per cent of scheduled shipments.

Today's gathering will define the statutes, location and budget of the new producers' association. This is intended to fill the gap left by the collapse in July 1989 of the export quota system operated by the International Coffee Organisation, following which world prices, already depressed at the time, slumped by another 60 per cent.

Delegates at this week's meeting will also consider the price level at which stocks would be released to the market. Mr Jair Coser, president of the Brazilian Federation of Coffee Exporters, has suggested that it could be between 80 and 90 US cents a pound, a range reported to be favoured by Colombian producers.

That target is modest compared with the $1.20 to $1.40 range the ICO, a producer-consumer group, was attempting to defend until 1989.

The Brazilian private sector has proposed that the amount retained be reduced to 10 per cent if the price rebounds partially, but that idea was given a lukewarm response when put on Tuesday to Mr Jose Eduardo de Andrade Vieira, minister of industry and commerce, according to Mr Coser.

However, Brazilian officials, influential in negotiations because they represent the world's biggest exporter, appear to be keeping an open mind. "The possibility exists" of a trigger scheme, said Mr Gilson Ximenes, director of the National Coffee Department of the ministry.

The Rio de Janeiro meeting is a lead up to a gathering of all of the world's major coffee exporters scheduled for August 16-17 in Uganda. The final accord is scheduled be signed September 16 in Brasilia and retention initiated in October.

Discussions on a producers' association to regulate stocks and try to boost international prices began after the collapse earlier this year of talks aimed at revitalising the ICO.

Individual countries are already outlining domestic retention schemes, which the cartel is likely to police with the help of an international auditing firm.

Miners unhappy with aboriginal land decision

THE AUSTRALIAN federal government has moved to dampen a heated national debate over native land claims, granting some rights to aborigines over mining leases but overriding claims to residential and pastoral land, reports Reuter from Canberra.

Special minister of state Mr Frank Walker, leading negotiations on the issue, said the cabinet decision should allay aborigines' concerns over mining on native lands.

"The government has decided that we will give aboriginal people the same rights as everyone else in the community, a right to negotiate and then if that doesn't work a tribunal who'll arbitrate," Mr Walker said in a radio interview.

The issue has flared up in the past few months following land claims by aborigines on the basis of a landmark 1992 high court ruling that their native title to Australia had not been extinguished by white settlement in 1788.

As a result aborigines theoretically can lay claim to vast parts of Australia, including prospective mining areas.

Mining industry leaders criticised the ruling and warned that it threatened foreign investment.

The Australian Bankers' Association yesterday called for an end to uncertainty over land title, saying its members were reluctant to lend to businesses in areas subject to claims.

The compromise does not give aborigines a veto over mining on native lands but the right to negotiate and refer disputes to a new tribunal, government officials confirmed. But the government could still override a tribunal decision if it was not regarded to be in the public interest, they added.

Mr Walker said that mining companies whose leases on native land expired would also have to negotiate with aborigines to renew them.

EC farmers 'misled over set-aside'

By Alison Maitland

THE EUROPEAN Commission has misled member states and their farmers over the timing of new rules governing land to be taken out of production under the reformed common agricultural policy, UK farmers said yesterday.

Commission proposals on fixed areas of land that can be left fallow for five years were due by the end of this month but failed to appear as expected on the agenda at yesterday's meeting of EC commissioners, said Mr David Naish, president of the National Farmers' Union.

"We are bitterly disappointed and frustrated at the lack of co-operation the UK has received from the commission," he said in a letter of protest to Mrs Gillian Shephard, UK agriculture minister.

Farmers urgently needed to know details of the new scheme so that they could plan their autumn crop planting, said Mr Naish, who accused the commission of having little or no interest in providing the legislation.

"The delays in sorting out this issue also make nonsense of any attempt on the part of farmers to manage the countryside and the land generally in an environmentally beneficial way," he said.

Farmers who left land fallow in the last five-year set-aside scheme, which is just ending, were also anxious to know whether they will continue to be paid to keep it all unplanted, he said. About 1,100 English farmers put 33,000 hectares into set-aside under the old programme.

Last year's CAP reforms introduced direct payments to arable farmers as compensation for cuts in EC support prices, provided they set aside 15 per cent of their land on a rotating basis.

It is the rules for non-rotating set-aside, due to start next January, that are awaited. Farmers want to know if they can take more land out of production than the 18 per cent minimum put forward by the commission and still receive full compensation, and whether they can mix fixed and rotating set-aside.

Without the rules, farmers may have to wait until the spring to sow, achieving lower yielding, less profitable crops, said the NFU.

The union believes the reason for the delay is that the new proposals have become entangled in attempts by other member states such as France and Germany to reduce the length of the six-year scheme for rotating set-aside.

S Africans abandon reserve on gold hedging

Miners have made more forward sales than many thought, writes Philip Gawith

UNTIL RECENTLY South African mining houses had an almost theological view of gold. There was no such thing as a pricing policy – you were simply expected to believe in the metal and the price would inevitably rise. In the words of one industry newcomer: "You were supposed to leave the marketing to God".

In consequence, compared to North American and Australian producers, South Africans remain novices at gold hedging. They have, however, progressed well beyond theology as was revealed in a blast of glasnost last week when producers, celebrating the recent rise in the metal price, stumbled over each other in the rush to release details of their forward positions.

Anglo American, the world's largest producer, released details of its forwards sales for the first time, as did its associate Johannesburg Consolidated Investments. Gengold, the gold arm of the Gencor group, also offered more detail than in the past about its forward sales strategy.

The picture that emerges is that South Africa is selling forward more gold than many thought: in the year to June 1994, about 173kg (the figure is not precise as Randgold does not publicise the extent of its forward sales) or 28 per cent of production, which is on course for about 617 tonnes in 1993.

The broad picture, however, disguises some significant divergences between the different mining houses in terms of strategy. Some are clear winners and some equally obvious losers, with the associated rewards and penalties considerable.

A variety of reasons were put forward for the improved disclosure. Foremost among these was shareholder pressure, cited both by Mr Kennedy Maxwell at JCI and Mr Gary Maude at Gengold. Mr Maxwell said that with the recent reversal in the price trend, investors were very anxious to know the extent to which various mines were exposed to the spot price.

Mr Clem Sunter, chairman of Anglo's gold and uranium division, cited two different reasons: that the company had achieved the aims of its hedging policy; and that it was no longer active in the market (and hadn't been since April).

The aim of the policy, said Mr Sunter, was to keep marginal mining areas at full production. That the policy has worked is illustrated by the fact that Anglo is producing more gold than three years ago, while its workforce has shrunk by only 7,000 out of a total of 180,000, the sort of social commitment the group is anxious to make.

According to Mr Sunter, Anglo's hedging policies secured 110 tonnes of annual production, worth R4.4bn at present prices, saving 70,000 jobs in the process. About 50 tonnes of this comes from marginal areas and the other 60 tonnes from major capital projects that the group was able to proceed with because hedging helped keep suitable tax shields in place.

Others had even more basic reasons to hedge. Mr Gary Maude, managing director of Gengold, notes that they hedged in order to survive. He notes that in September 1992, most of the group's production was in the R26,000-R33,000 (£3,900-£4,900) a kilogram cost bracket compared with a price of R31,383 a kilogram.

"We had very, very good reasons to protect ourselves," he says. "We're hedging to stay in business, not to make extra income."

Hedging, of course, is a double-edged sword. The price of securing insurance against lower prices is missing out on the potential bonanza should prices rise sharply, as they have recently – from about R32,000 to R42,000 a kilogram in three months. Mr Maude is thus painfully aware that, at current gold prices, earlier hedging is actually denying them extra income. Gengold concedes, for example, that hedging depressed its profits in the June quarter by about a third compared with what they would have made receiving the spot price.

Arguably those like Gengold – Randgold, the gold arm of the Rand Mines group, is another – who came fairly late to hedging have been doubly hurt. First, when cost pressures really started to weigh on the industry in about 1990, they missed out on the opportunity to lock in more favourable prices. Now, they find themselves having hedged large portions of their production at prices well below the present market level.

The consequences of these decisions are considerable. While Anglo is able to boast about hedging helping to protect jobs, Gengold has seen its workforce shrink to 49,000 from 90,000 in 1989. At Harmony, the largest Randgold mine, the workforce is down to 14,500 from 29,000 three years ago. At the very least, had these groups pursued hedging earlier, it is likely their job losses would have been less and the financial state of their mines would probably have been better.

That, however, is water under the bridge. What to do in future again presents agonising dilemmas, especially given the recent surge in the gold price. Excellent prices can be locked in now – R52,000 a kilogram for a sale two years out – but this has to be set against the possibility of a genuine bull market developing. All that can be said with certainty is that heated debates are under way in the various mining houses about appropriate strategy.

Both Anglo and Gengold have said they have stopped selling forward, but will continue to watch the market for pricing opportunities. In terms of strategy, Mr Maude says Gengold will in future use hedging to provide insurance against downside in the price as opposed to merely securing survival.

Hedging aside, one sure trend in the months ahead is that the mines will take the opportunity offered by the higher gold price to access more marginal ore bodies, saving the higher grade deposits against the return of tougher times. Development work at the mines will thus be increased vigorously to reach these lower grade ore bodies, allowing mines more production flexibility and ultimately prolonging their life expectancies.

Mining lower grades, however, will push up unit costs and keep a damper on profit margins. But for mines that until recently were struggling to show any profit margin at all, that is the sort of problem they can live with.

Feathered herds give heavyweight profits

Matthew Kaminski on the rapid growth of US ostrich ranching

EVOLUTION DEALT the ostrich a mixed hand. The world's largest, presumably oldest and certainly moodiest bird boasts a protective hide covered with motley coloured feathers, carries around 300lb of red meat and lays delicious eggs. Such impressive physical endowment has, unfortunately for the earth-bound avian, great commercial value.

African farmers have long realised the birds' potential. But in the US only recently have ostriches become a hot commodity. In fact, the US supply for this alternative cash crop remains solely in the hands of breeders, who sell the birds at inflated prices to satisfy demand.

Since ostriches were first introduced from South Africa in the mid-1980s the number of ranchers raising them has grown to about 3,000.

The ranches are usually small, but surprisingly profitable. An adult pair, which can produce between 30 and 120 eggs per year, now carries a $60,000 price tag, which is still rising quickly. Two yearlings can be bought for about $12,000 to $15,000 and chicks, which require much care, are a bargain at $3,000 each. No wonder many Americans with a backyard and a high fence have at least mulled over this investment.

Mr Howard W. "Bud" Kerr Jr., who runs the one-man (no window) small-scale farming office at the sprawling US Department of Agriculture, says he gets as many as 30 inquiries about ostriches each week.

At the Circle M Ranch in south-west Missouri, Mr Bob McKean has been raising ostriches since 1986, when he bought his first pair for only $8,000. He now owns 35 birds, quite a lot by present standards, which are raised on a 75ft by 120ft plot.

Many such breeding ranches are run across the country's farm belt, especially in Texas, Oklahoma and Missouri.

It is not clear when the demand will be satisfied, though estimates range from five to ten years. Other large-scale agricultural commodities like Angus cattle and the Texas longhorn also were launched by a breeder's market.

The ostriches' potential under normal market conditions has not been questioned. The bird has many uses.

Ostrich flesh, already used to make jerky in Africa, caters to the demand for low fat and low cholesterol meat. Large-scale slaughter has not begun, but the meat, now taken from sterile birds, sells for $6 to $10 a pound. Health-conscious California has been cited as a possibly fertile future market.

The black, blue and white feathers, which on the European market bring $50 to $1,000 a pound, are used in feather dusters, fashion accessories, theatre costumes and pens. This is a renewable resource; an ostrich can be deplumed twice a year.

But perhaps most coveted is the hide, used to make boots and brief cases. Tanned hides bring $30 to $50 a sq ft while custom "full quill" boots can cost as much as $2,000.

Starting an ostrich farm is easy, farmers say. An estimated 2,000 birds are needed to turn a profit under normal market conditions. For now, however, an operation even smaller than Mr McKean's can do the trick.

The birds, unlike cattle, need little space and eat little. They usually live for around 70 years and most of them are fertile. "They're just large chickens," says Mr Ronald Mascher, who publishes the Small Farm Today magazine.

But they are probably not as smart. Owners warn that the birds must be trained and handled carefully because, with a brain barely bigger than a peanut, the ostrich has an impulsive character.

The birds do not stick their heads in the sand to avoid danger – a terribly damning myth, ostrich owners lament – but they are prone to unrelenting pecking, running around at speeds in excess of 45 mph and generating enough force with their two-toed feet to, in the words of one expert, "disembowel a lion".

There are other problems. Chicks often have a high mortality rate, usually a consequence of indigestion or inclement weather; the market for many ostrich products, particularly meat, remains untested; and prices are highly volatile.

Volatility may not be such a drawback, however, as US farmers are well known for having a strong speculative streak.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD and SILVER powered ahead in afternoon trade on the London bullion market, largely ignoring the OTC options expiry but possibly reacting to strong US economic figures, dealers said. Gold closed above $394 a troy ounce after fixing at $393.15 in the afternoon, up from a morning fix of $391.80. Earlier it was announced US durable goods orders rose 3.8 per cent in June, the biggest gain since December, and well above the average forecast 1 per cent. "The options were all covered, so it must have been the economic data which caused the buying," one dealer said. BASE METAL trading was slow on the LME, and minimal interest was seen, although most markets ended steadier as sentiment showed signs of becoming more positive. COPPER continued to pay little heed to fundamentals, which are hardly supportive at present. Instead, the market again pushed higher against a background of a developing squeeze between September and early October. Chicago SOYABEAN were falling at midsession, under pressure from warmer and drier weather in the western US Midwest.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Sep)		+ or -
Dubai	$14.68-4.72u	+0.030
Brent Blend (dated)	$17.12-7.16	-0.075
Brent Blend (Sep)	$17.04-7.06	-0.030
W.T.I (1 pm est)	$18.91-8.21u	+0.025

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$195-197	
Gas Oil	$163-164	+1
Heavy Fuel Oil	$60-61	+0.5
Naphtha	$165-167	+1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$394.2	+2.7
Silver (per troy oz)♣	515.5	+7.0
Platinum (per troy oz)	$408.6	+0.6
Palladium (per troy oz)	$140.4	+0.85
Copper (US Producer)	91.0c	+0.5
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	12.75m	+0.35
Tin (New York)	225.5c	+0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	130.08p	+1.09*
Sheep (live weight)†♣	91.24p	-0.32*
Pigs (live weight)†	73.89p	-6.51*
London daily sugar (raw)	$239.8	-0.4
London daily sugar (white)	$265.0	+4.0
Tate and Lyle export price	£271.0	+0.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£171.0	
Wheat (US Dark Northern)	£147.0	
Rubber (Sep)♥	59.00p	
Rubber (Oct)♥	59.50p	
Rubber (KL RSS No 1 Jul)	207.0m	
Coconut oil (Philippines)§	$457.5v	-7.5
Palm Oil (Malaysian)§	$382.5t	-5.0
Copra (Philippines)§	310.0c	
Soyabeans (US)	£209.5y	-1.0
Cotton "A" index	58.35c	-0.05
Wooltops (64s Super)	328p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Aug. z-Aug.v-Aug/Sep u-Sep t-Oct/Dec x-Aug/Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low
Oct	255.00	254.50	256.00 253.50
Dec	256.00	257.10	257.50 256.50
Mar	260.50	259.50	260.90 259.70
Aug	268.70	268.30	268.50
Oct	260.30	260.00	260.00
Dec	261.20	262.00	262.00

White 382 (1245) Paris- White (FFr per tonne): Oct 1507.89 Dec 1526.19

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Sep	17.06	17.24	17.28 17.05
Oct	17.13	17.28	17.27 17.11
Nov	17.20	17.38	17.36 17.20
Dec	17.31	17.50	17.40 17.31
Jan	17.41	17.51	17.49 17.41
Feb	17.49	17.56	17.49
Mar	17.56	17.65	17.56
Apr	17.61	17.71	17.61
May	17.65	17.65	17.65
IPE Index	17.12	16.90	17.12

Turnover 22832 (45712)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Aug	161.75	160.75	163.00 161.75
Sep	162.75	161.50	164.00 162.25
Oct	164.25	163.50	165.50 164.00
Nov	166.00	165.00	167.25 166.00
Dec	168.00	167.25	169.00 168.00
Jan	169.50	168.50	169.50 169.00
Feb	169.50	169.25	170.00 169.75
Mar	168.00		169.00
May	165.00		165.25

Turnover 9517 (7514) lots of 100 tonnes

WOOL

Fleece wool prices increased at the opening Australian wool sale in Sydney this week, and the Wool Corporation's market indicator at 459 cents a kg. was 15 cents higher than at the closing sale of the 1992/93 season at the end of June. The increase has been expected after Chinese business in Australia and elsewhere, following a currency revaluation. This helped to bring out more business from other wool buyers. European interest rate reductions are seen as helpful especially if they lead to improved trading there.

COCOA – LCE £/tonne

	Close	Previous	High/Low
Jul	739	738	742 738
Sep	744	748	756 742
Dec	756	760	766 754
Mar	773	775	783 772
May	784	785	791 782
Jul	795	795	800 791
Sep	805		810 802
Dec	818		824 819
Mar	828	827	834 828

Turnover: 7355 (2984) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 27 752.86 (761.86) 10 day average for Jul 28 771.87 (772.42)

COFFEE – LCE $/tonne

	Close	Previous	High/Low
Jul	984	973	981 980
Sep	1012	1002	1015 1005
Nov	1012	1007	1018 1008
Jan	1004	1000	1012 1004
Mar	1000	1001	1004
Jul	1008		1000

Turnover: 1826 (2305) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 27 Comp. daily 61.72 (60.97) 15 day average 60.81 (60.72)

POTATOES – LCE £/tonne

	Close	Previous	High/Low
Apr	82.2	86.7	84.8 82.0
May	92.6	94.8	93.5 93.0

Turnover 198 (63) lots of 20 tonnes.

SOYAMEAL – LCE £/tonne

	Close	Previous	High/Low
Oct	181.00	181.50	
Dec	182.00	182.50	

Turnover - (-) lots of 20 tonnes.

FREIGHT – LCE $10/index point

	Close	Previous	High/Low
Aug	1310	1300	1315 1300
Sep	1320		1320
Oct	1360	1370	1381 1370
Nov	1390	1380	1390
Jan	1405	1400	1405
BFI	1346	1347	1346

Turnover 110 (76)

GRAINS – LCE £/tonne

Wheat	Close	Previous	High/Low
Sep	106.30	105.10	106.10
Nov	107.70	107.30	107.70 107.40
Jan	109.70	109.30	109.70 109.35
Mar	111.85	111.40	111.85 111.45
May	113.80	113.40	113.55 113.50
Barley	**Close**	**Previous**	**High/Low**
Nov	103.25	103.20	103.20 103.10
Jan	105.75	105.75	105.80 105.75
May	108.90	108.65	108.90

Turnover: Wheat 477 (89), Barley 73 (35).
Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	101.3	100.7	101.0 100.5
Sep	100.0		101.0 100.0
Oct	102.5		102.0
Nov	102.8		103.0
Feb	102.5		102.5
Mar	104.0		104.0

Turnover: 31 (2)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 42,858 lots
Cash	1195-6	1196.5-7.5	1198/1195	1195.5-6.0		
3 months	1219-20	1220-1	1221/1217	1219-9.5	1219-20	235,476 lots
Copper, Grade A ($ per tonne)						Total daily turnover 44,068 lots
Cash	1954-5	1949-50	1947/1946	1946-7		
3 months	1954-5	1948-9	1958/1943	1946-7	1954-5	223,412 lots
Lead ($ per tonne)						Total daily turnover 4,232 lots
Cash	394-4.5	391.5-2.0	392.5	391.5-2.0		
3 months	407-7.5	405-5.5	408/404	405-5.5	406-7	23,526 lots
Nickel ($ per tonne)						Total daily turnover 7,263 lots
Cash	4945-55	4865-70		4930-5		
3 months	5000-5	4920-5	5030/4975	4985-8	5025-30	44,396 lots
Tin ($ per tonne)						Total daily turnover 2,441 lots
Cash	4880-90	4885-90		4915-20		
3 months	4930-40	4935-40	4970/4940	4965-8	4945-50	10,858 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 9,362 lots
Cash	921.5-3.5	915-6	918.5/918	918-8.5		
3 months	937-9	931-2	939/934.5	934-4.5	938-8.5	73,595 lots

LME Closing £/$ rate:
SPOT: 1.4920 3 months: 1.4827 6 months: 1.4760 9 months: 1.4707

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	394.00-394.40	
Opening	391.70-392.10	
Morning fix	391.80	263.183
Afternoon fix	393.15	263.808
Day's high	394.80-395.20	
Day's low	391.50-391.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.67	6 months	2.71
2 months	2.67	12 months	2.74
3 months	2.68		

Silver fix	p/troy oz	US cts equiv
Spot	339.95	508.50
3 months	344.65	514.65
6 months	349.40	514.85
12 months	358.50	524.70

GOLD COINS

	$ price	£ equivalent
Krugerrand	392.00-395.00	263.00-265.00
Maple leaf	408.20-408.75	-
New Sovereign	93.00-96.00	62.00-64.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Aug	Oct	Aug	Oct
1175	30	60	3	16
1200	12	44	9	25
1225	3	31	25	37
Copper (Grade A)	**Calls**		**Puts**	
1900	64	97	3	39
1950	27	68	16	61
2000	7	47	46	89
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
850	162	169		7
900	115	128	3	16
950	72	93	10	31
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
725	31	56	12	25
750	17	44	23	38
775	9	34	40	53
Brent Crude	**Sep**	**Oct**	**Sep**	**Oct**
1700	31	55	17	39
1750	7	31		62
1800	2	14		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High	Low
Jul	393.4	391.2	0	0
Aug	393.4	391.2	395.6	391.6
Sep	394.4	392.2	396.0	398.0
Oct	395.7	393.5	398.0	393.8
Dec	397.8	395.6	400.0	396.0
Feb	399.6	397.6	401.5	398.4
Apr	401.9	399.6	402.3	402.3
Jun	404.0	401.8	405.4	403.9
Aug	406.1	403.6	404.6	404.6

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High	Low
Oct	412.0	406.4	415.0	408.5
Jan	413.0	409.8	415.0	410.0
Apr	414.0	410.6	416.0	413.0
Jul	415.0	411.6	415.0	414.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High	Low
Jul	515.4	506.7	517.0	514.5
Aug	515.4	507.4	515.0	516.0
Sep	517.0	508.5	519.5	507.5
Dec	522.4	513.7	526.0	512.5
Jan	523.0	514.3	0	0
Mar	527.8	518.9	529.0	521.0
May	531.9	522.8	533.5	528.0
Jul	535.7	526.4	537.0	530.0
Sep	539.7	530.2	0	0
Dec	545.6	535.9	545.0	541.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High	Low
Jul	87.05	86.30	87.05	86.45
Aug	86.95	86.45	86.90	86.55
Sep	87.40	86.90	87.55	86.75
Oct	87.45	87.00	87.20	87.00
Nov	87.55	87.15	87.25	87.25
Dec	87.60	87.20	87.70	87.10
Jan	87.70	87.35	0	0
Feb	87.75	87.45	0	0
Mar	87.80	87.60	87.80	87.80
Apr	88.00	87.70	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High	Low
Sep	18.20	18.42	18.52	18.17
Oct	18.43	18.62	18.69	18.38
Nov	18.59	18.75	18.75	18.56
Dec	18.69	18.86	18.82	18.67
Jan	18.80	18.97	18.99	18.80
Feb	18.93	19.05	18.99	18.93
Mar	18.93	19.12	19.03	18.93
Apr	18.96	19.17	19.06	18.96
May	19.13	19.22	19.16	19.08
Jun	19.10	19.27	19.20	19.07

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High	Low
Aug	51.12	51.84	51.90	51.00
Sep	51.90	52.43	52.80	51.80
Oct	52.90	53.33	53.40	52.75
Nov	53.95	54.38	54.35	53.85
Dec	54.85	55.38	55.45	54.85
Jan	55.50	56.08	56.00	56.45
Feb	56.05	56.33	56.50	56.00
Mar	55.15	55.53	55.50	55.15
Apr	54.25	54.53	54.50	54.25
May	53.20	53.68	53.65	53.40

COCOA 10 tonnes;$/tonnes

	Close	Previous	High	Low
Sep	930	930	951	921
Dec	970	970	990	960
Mar	1001	1004	1025	994
May	1022	1025	1026	1023
Jul	1042	1045	0	0
Sep	1062	1065	1075	1065
Dec	1085	1088	0	0
Mar	1106	1109	0	0
May	1124	1127	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High	Low
Sep	73.45	72.75	73.80	72.50
Dec	76.00	75.35	76.45	75.10
Mar	78.35	77.30	78.60	77.50
May	79.70	78.50	80.00	79.20
Jul	81.25	80.25	81.00	81.00
Sep	82.75	81.75	0	0
Dec	84.95	84.95	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High	Low
Oct	9.21	9.13	9.27	9.17
Mar	9.60	9.56	9.67	9.59
May	9.70	9.67	9.76	9.63
Jul	9.76	9.71	9.80	9.76
Oct	9.77	9.70	9.83	9.80

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High	Low
Oct	60.17	59.80	60.20	59.65
Dec	61.35	61.02	61.42	60.85
Mar	62.55	62.30	62.60	62.00
May	63.17	62.89	63.05	62.60
Jul	63.54	63.50	63.54	63.50
Oct	61.40	61.40	0	0
Dec	61.55	61.62	61.50	61.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High	Low
Sep	112.60	114.00	113.50	111.75
Nov	115.60	117.15	116.75	115.15
Jan	117.25	119.05	118.40	116.40
Mar	119.50	121.00	120.10	119.00
May	121.95	122.95	121.90	120.00
Jul	121.95	122.95	0	0
Sep	120.95	119.95	0	0
Nov	120.95	119.95	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Jul.28	Jul.27	mnth ago	yr ago
1699.6	1699.3	1659.5	1548.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Jul.27	Jul.26	mnth ago	yr ago
Spot	124.15	124.26	120.63	116.79
Futures	129.93	130.06	120.27	118.38

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High	Low
Aug	688/5	702/6	703/0	680/0
Sep	690/0	703/2	703/4	681/0
Nov	690/6	702/6	703/0	683/0
Jan	693/4	705/6	705/0	688/0
Mar	696/0	707/2	705/0	691/0
May	695/0	707/4	705/0	691/0
Jul	695/0	707/4	706/0	691/0
Aug	684/0	695/0	695/4	684/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High	Low
Aug	23.13	23.64	23.62	23.03
Sep	23.27	23.81	23.77	23.10
Oct	23.41	23.93	23.90	23.30
Dec	23.66	24.13	24.12	23.55
Jan	23.73	24.20	24.15	23.73
Mar	23.86	24.29	24.25	23.83
May	23.95	24.34	24.35	23.80
Jul	23.97	24.28	24.35	23.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High	Low
Aug	226.4	230.4	230.5	224.0
Sep	223.9	226.6	226.2	221.0
Oct	221.7	225.3	224.8	219.0
Dec	221.4	224.3	224.3	218.5
Jan	220.8	222.8	222.5	217.0
Mar	219.0	221.0	220.5	216.0
May	216.3	219.8	218.8	213.5
Jul	214.3	216.0	216.5	212.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High	Low
Sep	241/2	244/4	244/2	240/2
Dec	246/4	250/0	249/4	245/0
Mar	253/0	256/0	255/6	251/4
May	259/0	261/2	260/0	256/2
Jul	259/2	262/0	261/6	257/2
Sep	247/4	249/6	247/4	247/0
Dec	241/2	242/2	242/0	239/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High	Low
Sep	315/6	321/4	321/4	315/4
Dec	323/0	330/0	329/0	322/4
Mar	326/0	333/2	332/4	325/6
May	318/4	328/2	327/4	318/4
Jul	307/4	311/4	311/0	307/0
Sep	311/0	315/0	314/0	311/0
Jul	311/0	0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High	Low
Aug	75.300	74.875	75.400	74.725
Oct	74.875	74.625	74.925	74.400
Dec	75.250	75.375	75.500	75.125
Feb	75.375	75.600	75.600	75.225
Apr	76.375	76.550	76.550	76.250
Jun	73.275	73.650	73.600	73.250
Aug	72.125	72.300	72.300	72.100

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High	Low
Aug	47.800	48.000	47.950	47.250
Oct	45.075	45.250	45.150	44.650
Dec	46.125	46.200	46.200	45.600
Feb	46.475	46.675	46.550	46.000
Apr	44.950	45.200	45.000	44.900
Jun	49.750	50.025	49.800	49.850
Jul	48.750	48.950	48.950	48.650

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High	Low
Aug	42.225	43.425	43.200	41.600
Feb	50.475	51.450	51.350	49.900
Mar	49.800	51.000	51.000	49.600
May	51.500	52.200	51.500	51.500
Jul	51.300	51.825	51.300	51.300
Aug	52.500	52.500	0	0

Footsie backs away from 2,900 mark

By Terry Byland, UK Stock Market Editor

MOVES towards lower interest rates in Germany and a successful outcome to the auction of British government bonds were not enough to take the London stock market through the higher end of its technical trading range yesterday.

After challenging the Footsie 2,895 area at the day's peak, the market gave back most of its gains later, with the final plus of only 4.8 to 2,884.2 on the index reflecting little more than rises in Glaxo and Wellcome, which had announced important marketing agreements with Warner-Lambert, of the US.

Investors were clearly taking profits in a stock market which must today face significant challenges to its recent recovery of confidence.

The stock market was not completely convinced by the money market arguments that yesterday's reduction in German repurchase rates would mean a cut in Bundesbank discount rate today, followed by a cut in UK base rates on Friday. A reduction of ¼ in German discount rate would not be enough, according to UK analysts, and Friday morning is certain to bring bad news on the Christchurch by-election showing of Mr John Major's Conservative party.

However, the news from Germany pushed the Footsie ahead by 16.3 at mid-session, and the blue chips shares were also encouraged by a brief move above 2,900 in the FT-SE September futures contract. Equities also responded to strength in government bonds following news that the £3.25bn bond auction had attracted a 2.29 times cover and a healthily narrow spread of bid prices.

But, with the current equity trading account closing tomorrow night, profit-takers were unwilling to leave share gains to run any further. In its new trading session, Wall Street extended its fall away from its recent peak to show a loss of 16 Dow points in London hours yesterday.

The downslide in the stock market during the second half of the session was all the greater since it was off-set by the sharp rises in Glaxo and Wellcome which between them represented a 4-point gain on the Footsie.

The brighter tone in equities was better displayed in the second line stocks, and reflected in a 6.1 gain in the FT-SE Mid 250 Index which closed at a new peak of 3,244.8. Seaq business jumped to 690m shares yesterday, with non-Footsie shares making up about over 60 per cent of the total, a relatively high percentage. On Tuesday, 662.6m shares through the Seaq network were worth £1.58bn in terms of retail or customer business worth – with this figure boosted by the £76m placing of shares in Pearson by Mr Rupert Murdoch.

Strategists were not surprised to see the stock market balk at the Footsie 2,900 area but drew attention to successful placings of large lines of stock at, or close, to market prices. If a cut in base rates materialises within the next few days, this may provide the impetus to take the Footsie above 2,900 again. But the big institutions are likely to remain wary if the market moves to challenge to the all-time peak of 2,957.3 achieved on March 8.

Prospects for the London stock market today will hang on the meeting at mid-morning of the Bundesbank policy council, with the global money markets likely to call the tune.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change
ASDA Group†	7,600	63½	
Abbey National†	3,100	390	-8
Albert Fisher	6,700	83	+1
Allied-Lyons†	2,200	558	+4
Anglian Water†	80	476	+2
Argos	779	321	+2
Argyll Group†	3,100	306	+3
Arjo Wiggins†	1,400	182	+1
Assoc. Brit. Foods†	2	403	+2
Ass. Brit. Ports	180	413	-3
BAA†	1,200	784	+6
BAT Inds†	7,000	445½	-4
[illegible]			
Dalgety	455	444	
De La Rue†	100	687	-1
Dixons	279	210	-1
Eastern Elect.	349	491	-1
East Midland Elect.	736	479	+4
Eng China Clays	372	439	
Enterprise Oil†	410	455	+10
Eurotunnel Units	771	444	+10
FKI	4,200	149½	-½
Fisons	424	169	-1
Foreign & Col. I.T.	702	235½	-½
Forte†	20,000	214	-5
[illegible]			
MB Caradon†	2,700	278	+7
MEPC	837	470	+1
MFI	352	134	-2
Manweb	568	545	+1
Marks & Spencer†	2,700	337	-½
Midlands Elect	1,000	517	
Morrison (Wm.)	156	137	
NFC†	808	234	+2
NatWest Bank†	3,200	491	-2
National Power†	1,200	358	+2
Next	2,600	181½	+4
North West Water†	189	488	+2
[illegible]			
Reuters†	881	1439	-5
Rolls Royce	3,800	138½	-3½
Rothmans†	1,600	671	+½
Ryl Bk Scotland†	1,800	292	-6
Royal Insurance†	1,300	333	+4
Scotch	320	363	
Sainsbury†	1,400	468	-1
Scottish & New.†	251	444	
Scot. Hydro-Elect.†	603	350	
Scottish Power†	2,400	331	+2
Sears†	1,400	89	
Sedgwick	1,400	200	
Seeboard	228	542	+3
Severn Trent Water†	640	478	
Shell Transport†	2,400	631½	+4
Siebe†	1,600	503	+8
Slough Ests	868	275	+1
Smith (W.H.) A	384	438	-8
Smith & Nephew†	3,100	147	+4
SmKl Beecham†	4,000	482	+5
SmKl Beecham Uts.†	885	410	+2
Smiths Inds	403	357	+6
Southern Elect.	789	503	-1
South Wales Elect.	189	548	-4
South West Water	271	500	-3
South West. Elect.	309	498	-6
Southern Water	10	490	-3
[illegible]			
United Biscuits†	934	364	-5
Utd. Newspapers	945	531	-3
Vodafone†	427	453	
Warburg (SG)†	725	738	+17
Wellcome†	4,500	696	+31
Welsh Water	250	543	
Wessex Water	229	574	+1
Whitbread 'A'†	1,200	501	+4
Williams Hldgs.†	1,800	321	+2
Wills Corroon	1,200	223	+1
Wimpey	1,300	169	-6
Wolseley†	32	818	-6
Yorkshire Elect.	2,100	529	-5
Yorkshire Water	59	486	
Zeneca†	1,600	622	-4

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Jul 19	Aug 2	Aug 16
Option Declarations:		
Jul 29	Aug 12	Sep 2
Last Dealings:		
Jul 30	Aug 13	Sep 3
Account Day:		
Aug 9	Aug 23	Sep 13

*New time dealings may take place from 8.30am two business days earlier.

Heavy sale of Forte

RECENT activity in Forte shares accelerated to extraordinary proportions yesterday as the stock recorded its biggest ever daily trade with 29m shares changing hands. This included a line of 13.9m as one institutional investor decided to reduce its holding and dealers reported that another single institution had picked up the full amount. Cazenove was said to have done the business, buying the stock at around 206¾p and selling it on for a penny more.

The sale dented the share price, which was further undermined as Mr Mark Finnie at NatWest Securities returned from a meeting with the company to reaffirm his sell advice on the stock. "The share price continues to overestimate the rate at which earnings will recover," he said.

The negative NatWest stance followed a muted response from other brokers after recent meetings with the company. The share price has fallen, accordingly, from a high of 229p just over a week ago. Yesterday it lost a further 5 to close at 214p.

However, Forte loyalists, who believe the company is well placed for recovery, were quick to point out that a near 2 per cent stake in the stock had found a single ready buyer and that the price had held up well.

The debate in the stock market over Forte's recovery potential has been a feature of the leisure sector in recent weeks, prompting hefty two-way business in the shares.

Drugs sector busy

Drugs group Wellcome surged on news that it is to set up a joint venture with the US pharmaceutical group Warner-Lambert to market over-the-counter (OTC) versions of some of its top-selling prescription drugs. The US company, which specialises in OTC products, also unveiled a similar arrangement with Glaxo, although the longer development time for the particular products meant the latter's shares rose less sharply. They finished 10 ahead at 558p.

Wellcome jumped 31 to 696p in heavy volume of 4.5m. While pharmaceutical analysts said the development was an important strategic move for the group, they added that it did not remove the underlying problems which have seen the shares underperform the market in recent months. "Wellcome's difficulties lie in its prescription drug business, with increased competition and regulatory worries," said one leading specialist.

BAT nerves

Worries about the cigarette price war in the US overhung international trading group BAT Industries, which reported interim figures in line with market expectations.

Profits were up 35 per cent to £906m and the dividend was raised by 8 per cent, which initially inspired demand for the stock, sending it forward 9 to 459p. However, a sombre analysts' meeting at which the company focused on the stiff competition in the US cigarette market saw initial enthusiasm wane and the shares finished a net 4 off at 446p after volume of 7m, well above usual trading levels.

Mr Andrew Mitchell at Smith New Court said: "Although a cloud remains over the US tobacco side, the dividend yield remains a key attraction in the long term."

Rumours of a big share placing, together with the sale of a large chunk of director's equity holdings, took the shine off Taunton Cider, although the stock later rallied. The shares closed just a penny off at 204p after hefty turnover of 8.5m. The directors and family interests sold 1.6m shares at 197p. A large line of stock was said to have been placed at 201p.

The Greenalls bid for J.A. Devenish was declared unconditional, coinciding with Schroder selling the rump of stock issued for those shareholders who took the cash alternative. These shares were bought at 350p and placed in the market, with total turnover hitting 10m. The shares closed 2 down at 353p. Devenish finished 9 ahead at 368p.

Hotel group Stakis placed 18m new shares in the market through its broker Smith New Court as part of a deal to buy a hotel in York, UK, for £5.85m. Smith placed the shares at 53.25p with a variety of institutions. The shares slipped a penny to 55p.

A large seller in Wembley saw the shares lose 2 to 11¼p in turnover of 1.4m.

Results from BT failed to excite investors, with worries over increased competition and regulatory concerns overshadowing events. The shares faded to close 1¼ down at 417½p.

Reuters Holdings gave up 5 to 1439p despite a buy note from NatWest Securities as sellers continue to nibble away at gains made on the recent share buy-back plan.

Aero-engine manufacturer Rolls-Royce eased 3½ to 138½p with overseas holders believed to have been among the chief sellers. Volume at the close was 3.8m shares.

Shares in Channel Tunnel operator Eurotunnel added 10 to 444p, following Tuesday's agreement between the company and TransManche Link, the consortium constructing the Tunnel. National Express gained 9 to 249p, after a stake of around 8 per cent changed hands.

Profit-taking after its recent run left British Aerospace 6 lighter at 416p. However, it was a slight shortage of stock and a reported recommendation from Strauss Turnbull which boosted Smiths Industries. The recent positive stance from Panmure Gordon continued to boost Vosper Thornycroft and the shares gained a further 14 to 641p.

Among the motor stocks, T Cowie improved 4¼ to 248p, on the prospect of good August car sales.

Profit-takers moved into Pearson after the progress achieved on the previous day on the back of plans to spin off two parts of its operations. The shares retreated 10 to 457p.

Fortunes moved in the opposite direction for Mirror Group Newspapers, which enjoyed a rally to recover more of the ground lost in the tabloid price war. At 154p, the shares added 5.

Good results from a US rival of lubricants group Burmah Oil led to demand for the stock. The shares gained 15 to 731p with sentiment boosted by news that it was raising its stake in Castrol India to 51 per cent from a previous 40 per cent holding. Shell Transport put on 4 to 632p in volume of 2.4m, ahead of next week's figures.

Turnover in British Gas rose to 11m as the shares continued their recent recovery, gaining 7 to 306p. There was speculation that further job cuts may be announced if the UK Monopolies and Mergers Commission recommends a restructuring of the business. A summery of the report is expected on August 17. Hopes of a recovery in oil prices boosted Enterprise Oil, the shares finishing 10 ahead at 455p.

In banking stocks, hopes that TSB would soon announce the sale of Hill Samuel, its merchant banking subsidiary helped the shares improve 5 to 201p, in trade of 4.7m.

Insurance and financial services group Lloyds Abbey Life gained 11 to 418p, after a 7.3 per cent increase in profits.

The agreement between Eurotunnel and TML had a mixed effect on building stocks. Costain edged up a penny to 37p while Taylor Woodrow closed at its starting level of 114p after having reached a high of 116p. Wimpey gave up 6 to 169p after profit takers took the shine off the gains made on the previous day on the Tunnel agreement.

Good results from paper and packaging group David. S Smith attracted investor support and the stock appreciated 10 to 380p.

Nervousness ahead of ICI results today saw the shares retreat, closing 9 adrift at 660p. Its former drugs business, Zeneca, also reporting today, gave up 4 to 622p.

Television stocks mustered a firm performance with Scottish TV adding 4 to 513p, Central Independent TV moving ahead 5 to 1970p and Grampian TV increasing 2 to 230p.

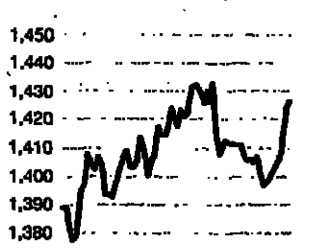
Business services company Danka Business closed 8 ahead at 230p, after an improvement in first quarter profits.

Shares in Goode Durrant brushed aside a full-year loss of £15.3m and improved 7 to 93p, together with a confident statement on the future outlook for the company.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Christine Buckley.

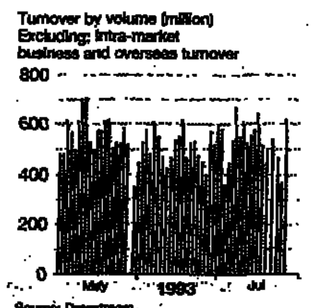
■ Other statistics, Page 16

FT-A All-Share index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business and overseas turnover



Source: Datastream.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (198).
BRITISH FUNDS (20) OTHER FIXED INTEREST (11) AMERICANS (2) Amer. Express, Citicorp, CANADIANS (1) Amer. Barrick Res., BANKS (3) Dai Ichi, Fuji, Mitsubishi, BLDG MATLS (6) Heywood Williams, Pilkington, Do. Wrnts., RMC, Sheffield Ins., BUSINESS SERVS (2) BET, Chubb, CONTG & CONSTRCN (1) Rubicon, ELECTRICALS (4) BICC, Do. Cap. Fin. 10¾pc Bds., Critchley, TDK, ELECTRICITY (2) Nthn. Ireland, Seeboard, ELECTRONICS (5) Bowthorpe, Ern. Cmpr., GEC, ENG GEN (6) Dyson (J & J), Do. A, Halma, Siebe, Vosper Thornycroft, Weir, FOOD MANUF (1) Banks (Sidney C.), HEALTH & HSEHOLD (2) Assoc. Nursing, Swallowfield, HOTELS & LEIS (4) Ex Lands, Harmony, Kunick Pf., Thorn EMI, INSCE BROKERS (3) Lloyd Thompson, Lowndes, Lambert, INSCE COMPOSITE (3) Gen. Accident, Royal, INV TRUSTS (71) MEDIA (3) City of London PR, Flextech, News Corp., MERCHANT BANKS (3) Kleinwort Benson, Schroders, Do. NV, MISC (1) Dudley Jenkins, MOTORS (6) First Tech., Laird, Lex Service, Quicks, Sanderson Murray Elder, OTHER FINCL (8) Cater Allen, Edinburgh Fd. Man., INVESCO, Do. 9pc 1995-2000, Intrum Justitia, Jupiter Tyndall, Perpetual, Union Discount, OTHER INDLS (2) Suter, Vinten, PACKG, PAPER & PRINTG (1) Smith (David S), PROP (4) Brixton Ests., Evans of Leeds, Land Securities, MEPC, STORES (4) Essex Furniture, GUS A, Next, Rosebys, TELE NETWORKS (2) Cable & Wire., Do. 7pc Cv. 2008, TEXTS (1) Worthington, TRANSPORT (7) Dawsongroup, Forth Ports, GATX, Manchester Ship Canal, Mersey Docks & Harbour, National Express, Stagecoach, WATER (1) Mid Kent, MINES (13) Anglogeeste, Beatrix, Central Pac., Delta Gold, Gwalia Cons., Kinross, Pancontl., PosGold, St. Barbara, Sipa Res., Southvaal, Vaal Reefs, Western Areas.
NEW LOWS (23).
AMERICANS (2) Data Gen., Woolworth, BUSINESS SERVS (3) Reliance Sec., Rolfe & Nolan, Salvesen (C), CHEMS (2) Caird, Cambridge Isotope Labs., CONTG & CONSTRCN (2) Andrew Sykes, McLaughlin & Harvey, ELECTRONICS (4) Linx Print., Prestwick, Do. 7¼pc Pf., Radius, HEALTH & HSEHOLD (1) Intercare, HOTELS & LEIS (1) Wembley, MTL & MTL FORMING (1) Johnson & Firth, MISC (2) Lambert Howarth, Pittards, OIL & GAS (1) Intl. Petm., PROP (1) Herring Baker Harris, STORES (3) Alexon, Country Casuals, OS.

FINANCIAL TIMES EQUITY INDICES

	July 28	July 27	July 26	July 23	July 22	Year ago	*High	*Low
Ordinary share	2277.7	2277.3	2254.2	2234.6	2226.3	1815.6	2299.5	2124.7
Ord. div. yield	4.05	4.05	4.09	4.13	4.14	5.11	4.52	4.05
Earning yld % full	4.82	4.82	4.87	4.92	4.93	7.37	6.38	4.82
P/E ratio net	26.54	26.54	26.28	26.04	25.95	17.07	26.57	19.40
P/E ratio nil	24.52	24.52	24.28	24.06	23.97	15.89	24.60	18.14
Gold Mines	229.8	225.5	214.9	218.4	210.6	93.0	239.3	60.0

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2277.5	2281.2	2282.6	2280.4	2281.1	2284.7	2288.1	2284.3	2277.1	2289.2	2277.0

Volume	July 28	July 27	July 26	July 23	July 22	Year ago
SEAQ Bargains	32,331	31,167	25,503	24,894	24,427	20,284
Equity Turnover(£m)†	-	1580.0	900.2	1220.4	1286.9	1297.7
Equity Bargains†	-	32,672	29,083	28,933	30,573	21,767
Shares traded (mil)†	-	617.6	373.4	474.8	538.8	473.2

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2884.2 +4.8	3244.8 +6.1	1426.88 +2.34

[illegible]

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

Five to Fifteen Years

Notes	Price £	+ or -	1993 high	low	Int.	Red.
Treas 15½pc '98‡‡	135⅞	+⅛	138½	133⅞	11.41	7.05
Exch 12pc 1998	120⅞	+⅛	122⅝	118⅜	9.93	7.18
Treas 9½pc 1999‡‡	110⅞	+⅛	112½	106⅝	8.58	7.04
Exch 12¼pc 1999	122⅞	+⅛	124⅞	120⅞	9.98	7.27
Treas 10½pc 1999	115⅞	+⅛	117⅞	113⅞	9.08	7.17
Conversion 10¼pc 1999	115¼	+⅛	117⅞	112⅞	8.89	7.21
9pc 2000‡‡	109⅞xd	+⅛	110⅞	108	8.21	7.18
Treas 13pc 2000	129⅞	+⅛	131	125½	10.05	7.51
10pc 2001	114⅝xd	+⅛	115⅞	109⅞	8.74	7.49
9¾pc 2002	114¼xd	+⅝	114⅞	108⅝	8.53	7.57
8pc 2003‡‡	103⅞	+⅛	104⅞	97⅞	7.70	7.47

Undated

Notes	Price £	+ or -	1993 high
Consols 4pc	50xd	+½	50
War Loan 3½pc‡‡	43⅝	+⅛	43⅞
Conv 3½pc '61 Aft.	63⅝	-⅛	64⅞
Treas 3pc '66 Aft.	37⅝	+½	37⅝
Consols 2½pc	32¼	—	32⅝
Treas 2½pc	31½	+¼	31½

OTHER FIXED INTEREST

[illegible]

Continued on next page

EQUITY FUTURES AND OPTIONS TRADING

GROWING optimism that a discount rate cut in Germany today would trigger one in the UK tomorrow provided some invigoration for stock index futures, Christine Buckley writes.

All expectation was directed towards today's meeting of the Bundesbank council. This enabled the contract to push up through the 2,900 mark to touch 2,910 around lunchtime.

However, it suffered an unsteady ride in late trading when it fell back to 2,888 after Wall Street's opening proved disappointing. But a rally brought September back to the level at which it opened the day, closing at 2,894.

Volume, buoyed by the interest rate cut hopes, reached 10,631 contracts by the end of the session.

However, with trading having been very lacklustre in previous sessions, there was also an element of the contract moving back to a more even keel.

The closing level of the contract was about 5 points ahead of its fair value premium to cash, which also stands at 5 points.

In the traded options market, there was also reasonable activity, with volume reaching 32,702 contracts. The FT-SE 100 option was moderately traded at 7,617 lots.

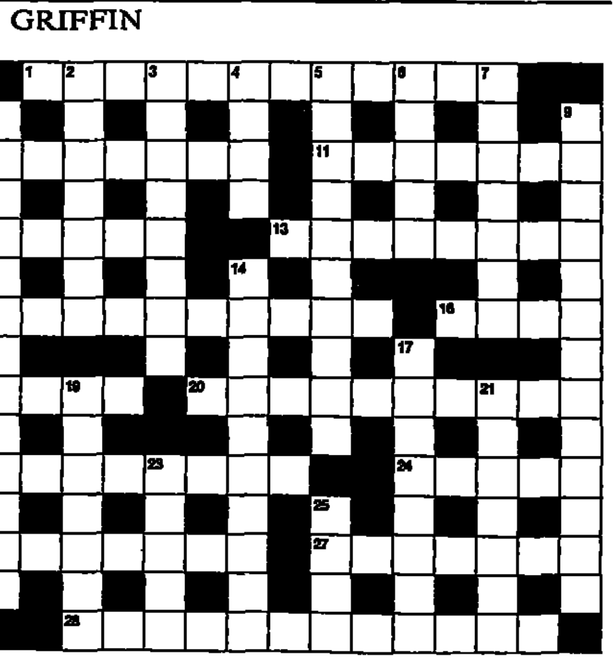
Storehouse was the most heavily traded of the stock options at 2,324 lots. Asda came next at 1,763, followed by BAT Industries at 1,316.

CROSSWORD

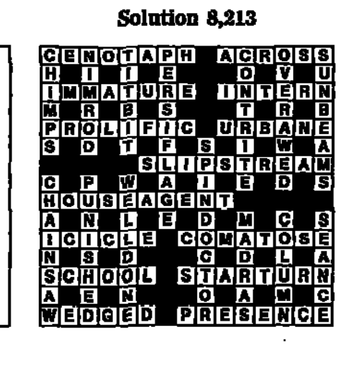
No.8,214 Set by GRIFFIN

ACROSS
1 Are lords wild after job paying bills with them? (6,6)
10 Exhausted gunners say retreating is an atrocious act (7)
11 Collapse with cold before Rumpole drops round (7)
12 Metalworker found it hard after writing back (5)
13 Pavement sweeper embraces everyone dancing here (8)
15 Telephoned in as ride collapsed, causing disorder (10)
16 One ordered off for eating? (4)
18 Sweet music with a beat (4)
20 Relates to paper as tin is unsuitable (10)
22 Pamphlet contains answer to conduct (8)
24 Sticks with staff tidying up the garden? (5)
26 Ring foreign friend about equipment for paper-folding (7)
27 Body-builder mad on tripe (7)
28 Time to thump record purchaser! (3-5,4)

DOWN
2 Gets in boats carelessly (7)
3 Caught girl accepting drinks from masters (8)
4 Overturned boat reveals national emblem (4)
5 Overlooking Dior, director approaches with figures (10)
6 Peer seen in the qualifying rounds (5)
7 Drink with model you get to expect (7)
8 Recompense team helping to chase prisoner (13)
9 Refund given – remembers unit being faulty (13)
14 Top up cup before officer takes home drink (10)
17 When upset sob, but sailors will be obstinate (8)
19 One ought to get map case for state car (7)
21 Examine bug taking first place (7)
23 Spot a way in without (5)
25 Drive arrived at, pops into reverse (4)



Solution 8,213



JOTTER PAD

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

STORES

PLANTATIONS

MINES

MINES - Cont.

INVESTMENT COMPANIES

MEDIA

MOTORS

PACKAGING, PAPER & PRINTING

OIL & GAS

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

... annualised dividend yield, p/e based on previous year's earnings ... latest annual earnings. M Yield based on prospectus or other ... xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1236 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT1632. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Growth	6	66.17	66.56	70.82	+0.47	0.67
High Income	5	270.6	273.7	291.1	+2.2	4.61
(Accum Units)	5	469.4	474.6	505.1	+3.7	4.61
Intl Bond	5	66.90	66.90	70.38	+0.39	5.68
Intl Equity Growth	5	62.50	62.61	66.60	+0.35	0.66
North American Growth	5	90.98	91.34	97.16	-0.06	0.74
Special Sits Growth	5	19.29	19.57	20.81	+0.07	1.83
UK Growth	5	391.6	393.7	395.0	+3.2	2.72
(Accum Units)	5	417.7	420.4	447.2	+3.9	2.72

MW Investment Managers Ltd (0659)F
49 Court St, Haddington, E. Lothian 062-082 5867

MW Joint Investors	0	1164.7	1164.7	1197.5	—	3.7

Maldon Unit Trust Managers Ltd (1400)F
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031-222 4242

Maldon General	0	128.0	128.0	132.8	—	4.40

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
(Accum Units)	5¼	57.82	57.82	62.17	+1.30	0
Income	5¼	51.74	51.74xd	55.18	+0.18	6.09
(Accum Units)	5¼	158.4	158.4	168.9	+0.09	6.09
Intl	5¼	29.81	29.81	31.98	+0.19	0.69
(Accum Units)	5¼	42.83	42.83	45.95	+0.28	0.69
Jap Smaller Cos	5¼	354.9	354.9	378.5	+4.30	0
Sing & Malaysian	5¼	187.2	187.2	200.7	-3.80	0
(Accum Units)	5¼	194.7	194.7	208.7	-4	0
Smaller Co's	5¼	24.57	24.57xd	26.41	+0.07	0.87
(Accum Units)	5¼	28.64	28.68	30.73	+0.18	0.87
Special Sits	5¼	31.7	31.7	34.08	+0.17	1.82
(Accum Units)	5¼	36.51	36.51	39.25	+0.19	1.82
Sterling Deposit	0	100.3	100.3xd	100.3	—	5.25
(Accum Units)	0	102.8	102.8	102.8	—	5.25
Tokyo	5¼	89.83	89.83	95.81	+1.37	0
(Accum Units)	5¼	90.74	90.74	96.78	+1.30	0
UK Equity	5¼	158.3	158.3xd	168.7	+1.08	2.62
(Accum Units)	5¼	293.3	293.3	312.8	+1.70	2.62
US Smaller Cos	5¼	107.7	109.6	117.1	+0.50	0

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

هكذا أصله الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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Providence Capitol Life Assc. Co Ltd - Contd.

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group (z)

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd (z)

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group - Contd.

Sun Life Assurance Co

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

CMI Insurance Co Ltd

Century Life International Ltd

Eagle Star Intl Life

Equitable Life (International)

Eurolife Assurance Group

Finance International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

Laurentian International Group

Pearl Life

Providence Capitol International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Royal Skandia Life Assurance Ltd - Contd.

Scottish Provident Intl Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

ECI Tenderwest PLC

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

Hartford International Financial Services

IFS Capital Management Ltd

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

M & G (Guernsey) Ltd

Macartney & Dowie Invest Mngt Plc

Northern Bldgs & Partners

Rothschild Asset Management

Rosborough Financial Management Ltd

Charles Stanley & Co Ltd

United Financial Corporation Ltd

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Newport International Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

CIBC Asset Management

GUERNSEY (SIB RECOGNISED)

AIB Grofund Inv Managers (Guernsey) Ltd

Adams & Breadie Fd Mangt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Butterfield Fund Mngrs (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Hambros Fund Managers

Fairmount Holdings

Lazard Fund Managers (Channel Islands) Ltd

Lloyds Bank Intl Money Market Fund Ltd

Lion World Fixed Income Fund

Royal Bank of Canada Offshore Fd Mgrs Ltd

Sarasin Fonds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

AMZ Mngmt Co (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

CBC Fund Managers (Guernsey) Ltd

Gartmore Fund Managers

Guernsey Capital Management Limited

Hambros Fund Managers (Guernsey) Ltd

Hewlett Throgmorton Mngmt Ltd

Henderson Admin. (Guernsey)

Investment Portfolio Svc (CI) Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Midas Capital Mngt (Europe) Ltd

Quilter International Management Ltd

Rothschild Asset Mngmt (C.I.) Ltd

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Tyndall Capital Mngmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

Coutts & Co Fund Managers Limited

Federated International Funds Plc

GAM Fund Management Ltd

GT Asset Management (Ireland) Ltd

Morgan Grenfell Investment Funds Ltd

Prolific International Fund Plc

Singer & Friedlander Inv Funds Ltd

Swiss Life Investment Fund

IRELAND (REGULATED)(**)

BT Fund Managers (Ireland) Ltd

Bank of Ireland Asset Mngrs Ltd

Baring International Fd Mngrs (Ireland) Ltd

Chemical Fund Administrators Ltd

Dresdner Intl Management Services Ltd

GT Asset Management (Ireland) Ltd

Hambros Fund Managers (Ireland) Ltd

Kleinwort Benson Capital Mngt (Ireland) Ltd

Morgan Grenfell Fd Mngrs (Ireland) Ltd

Morgan Grenfell Profunds Plc

Old Mutual International Fd Mngrs Ltd

Paine Webber Offshore Funds Plc

J. Rothschild International Assce plc

Seneca International (Ireland) Plc

Ulster Bank Investment Services

Yellow Sea Investment Company PLC

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mngrs

Asset Global Funds Ltd

CMI Fund Managers (IoM) Ltd

Gartmore Fund Managers (IoM)

Leopold Joseph Fund Mngrs (IoM) Ltd

Mercury Fund Managers (IoM) Ltd

Sun Life Management (IoM) Ltd

Unibank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

ATC Fund Management (IoM) Ltd

AXA Equity & Law Intl Fund Mgrs

Appleton Financial Advisors Ltd

CMI Fund Mngrs (IOM)

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

Gartmore Fund Managers (IoM) Ltd

John Govett Management (IoM) Ltd

IBI Managers (IoM) Ltd

R & N Fund Managers Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Capital House Fund Mngrs (CI) Ltd

Gartmore Fund Managers (CI) Ltd

Coutts & Co (Jersey) Fund Mngrs Ltd

Govett (John) Management (Channel Islands) Ltd

Hill Samuel Fund Mngrs (Jsy) Ltd

FT MANAGED FUNDS SERVICE

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Hill Samuel Fund Mgrs - Contd.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl. Bond Fund						
Sterling Managed	3½	£11.78	11.79xd	12.32	+0.01	7.64
US Dollar Managed	3½	$13.60	13.68xd	14.26	-0.02	5.37
International Currency Fund						
Sterling Managed	3½	£32.75	32.75	33.94	+0.06	-
US Dollar Managed	3½	$31.38	31.38	32.50	+0.01	-
Sterling	0	£29.85	29.85	29.85	—	4.88
US Dollar	0	$40.18	40.18	40.18	+0.01	1.79
Deutschemark	0	DM70.48	70.48	70.48	+0.02	6.09
Japanese Yen	0	Y5151	5151	5151	—	1.49
Swiss Franc	0	SFr52.71	52.71	52.71	+0.01	3.50
Irish Punts	0	I£25.64	25.64	25.64	—	6.45

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey 0534 284242

Lloyds Tst. Gilt	3½	£10.380	10.390xd	10.780	—	17.43

Dealing daily

Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 606000

Intl Circuit Portfolio	6	£1.2501	1.2501	1.3293	+0.0092	0.00
Gilt	3	£1.8113	1.8113xd	1.8428	+0.0057	7.67

Prudential Fund Managers (Jersey) Ltd
PO Box 183, St Helier, Jersey 0534 70009

Prudential Currency Fd (Formerly Vanbrugh Currency Fd)

Income (A & B)	5	213.2	213.2	223.8	+0.8	3.57
Growth (C & D)	5	321.1	321.1	337.2	+1.0	-

Royal Trust Jsy Fd Mngt Ltd (1400)F
PO Box 428, St Helier, Jersey 0534 27441

Govt Secs Fd	4	56.23	56.23	58.55	+0.21	7.51

Standard Bank Fund Mgmt (Jersey) Ltd
PO Box 583, St Helier, Jersey CI 0534 67557

International Bond	5	$-	15.94	16.85	-0.03	4.57
Sterling Bond	5	£-	9.946	10.29	+0.01	8.41
Sterling Cap		£-	42.73	42.75	+0.01	6.30

TSB Trust Funds (CI)
PO Box 538, St Helier, Jersey 0534 503002

TSB Offshore Investment Fund Ltd

Stg Deposit Class	3	101.62	101.62xd	104.87	+0.02	5.00
Gilt & Fixed Interest	3	119.35	119.35xd	123.09	-0.11	7.49
Blue Chip & Gilt Edged	5	61.02	61.02	64.71	-0.06	3.56
International Bond	6	137.83	137.83	144.92	+0.42	4.89
UK Equity	5	264.81	263.87	277.76	+1.83	1.25
International Equity	5	184.18	186.98	196.83	+1.10	0.35
Far Eastern	5	173.49	178.80	188.11	+0.70	0.00
European	5	131.41	132.46	139.43	+0.39	0.00
Pan American	5	375.95	380.00	400.00	-1.33	0.00

TSB Gilt Fund Ltd

JERSEY (REGULATED)(**)

Banque Scandinave a Luxembourg SA
16 Boulevard Royal, L-2449, Luxembourg

Scandifonds

Scandifond Equity Fund						
Equity Int. Acc.	5	$-	16.33	17.15	+0.40	3.17
Equity Global	5	$-	1.46	1.54	—	-
Equity Natural Res.	5	$-	1.12	1.18	+0.01	-
Equity Japan Acc	5	Y-	108.29	113.72	—	-
Equity UK	5	£-	1.4	1.48	+0.02	-
Equity Nordic	5	$-	1.22	1.29	-0.01	-
Equity North America	5	$-	1.93	2.03	—	-
Equity Mediterranean	5	$-	0.88	0.92	—	-
Equity Cont'l Europe	5	$-	1.44	1.52	—	-
Scandifond Far East						
Far East Global	5	$-	3.49	3.68	—	-
Scandifond Bond Fund						
Bond Int. Acc.	1	$-	12.34	12.47	+0.02	8.04
Europa Bond Acc.	1	$-	1.51	1.54	—	7.15
Bond DEM Acc.	1	DM-	1.24	1.26	—	8.84
Bond USD Acc.	1	$-	1.42	1.44	—	5.79
Bond Sweden Acc	1	SK-	16.69	16.86	+0.02	16.19
Scandifond International Sicav						
Intl Emerging Markets	5	$-	1.07	1.14	—	-

Barclays Diversified Portfolio
14 rue Aldringen L-1118 352 4709 2909

IPB Deutschmark Reserve		DM-	31.65	—	—	-
IPB Sterling Reserve		£-	10.39	—	—	-
IPB Swiss Franc Reserve		SFr-	30.69	—	—	-
IPB US Dollar Reserve		$-	30.38	—	—	-
IPB European Bond		Ecu-	17.91	—	—	-
IPB North American Bond		$-	21.38	—	—	-
IPB Espana		Pta-	2810	—	—	-
IPB Europe		Ecu-	18.47	—	—	-
IPB Japan		$-	28.16	—	—	-
IPB Pacific Rim		$-	22.84	—	—	-
IPB United Kingdom		£-	10.97	—	—	-
IPB United States		$-	21.25	—	—	-

Barclays Inv Funds (Luxembourg)
41 Avenue de la Gare L-1611 010 352 404344

Equity Funds						
European Equity	5¼	£-	0.937	0.997	+0.006	0.3
Intl Equity	5¼	£-	1.473	1.567	+0.014	0.5
North Am Eqty	5¼	$-	34.18	36.34	-0.139	0.3
Pacific Eq	4¼	£-	6.376	6.778	+0.105	0.5
UK Equity	5¼	£-	1.123	1.195	+0.006	2.8
Bond Fund						
International Bond	3½	$-	99.67	104.21	+0.146	5.3

CMI Asset Management (Luxembourg) SA
283 route d'Arlon, L-1150 Lux 010 352 458629

Jupiter Tyndall Global Fund
13 rue Goethe L-1637 Luxembourg 010 352 404881

China Portfolio		£-	1.32	1.39	+0.03	-
China Portfolio		$-	1.96	2.07	+0.01	-
Tiger Portfolio		£-	2.38	2.51	-0.02	-
Tiger Portfolio		$-	3.55	3.74	-0.02	-
European Portfolio		£-	1.36	1.43	+0.01	-
European Portfolio		$-	2.02	2.13	+0.01	-
Wall Street Portfolio		£-	1.80	1.90	-0.01	-
Wall Street Portfolio		$-	2.69	2.83	-0.01	-
British Lion P'folio		£-	1.33	1.41	+0.01	1.06
British Lion P'folio		$-	1.98	2.09	—	-
International P'folio		£-	1.70	1.80	—	-
International P'folio		$-	2.47	2.62	—	-
Japan Portfolio		£-	1.38	[illegible]		
Japan Portfolio		$-	2.06	[illegible]		
High Yield P'folio		£-	1.20	[illegible]		
High Yield P'folio		$-	1.78	[illegible]		
Korea Vision Portfolio		£-	1.35	[illegible]		
Asian Vision Portfolio		$-	2.02	[illegible]		
Taiwan Portfolio		£-	1.13	[illegible]		
Taiwan Portfolio		$-	1.71	[illegible]		
UK Smllr Cos Portfolio		£-	1.08	[illegible]		
UK Smllr Cos Portfolio		$-	1.62	[illegible]		

Kleinwort Benson Japanese Warrant Fund
14 rue Aldringen Luxembourg

Kleinwort Benson Select Fund (u)
14 Rue Aldrigen L-1118 Luxembourg

Latin American Mngmnt Group Ltd

Liberty ALL-STAR World Pfolio-Eqty Fd

CB Fund International (z)

CSFB Umbrella

Capel-Cure Myers Intnl Fd Sicav (z)

Norit Currency Fund

Pacific Basin Growth Fund

Rosenberg Global Mngt Co SA (u)

Chameleon Funds Limited

The China Fund

China Investment Company

The China Invest & Development Fd Ltd

Haussmann Hldgs NV Curacao

The India Magnum Fund NV

Indosuez Asia Invest Services Ltd

Pacific Growth Fund

Pakistan Fund

Pequot International Fund Inc

Philippine Income Fund Inc

Portuguese Investment Fund Ltd

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Critical day for the ERM

THE BUNDESBANK helped to ease intense strains inside the European exchange rate mechanism yesterday after it cut the cost of lending short term funds to commercial banks by a slightly larger sum than had been expected, *writes James Blitz*.

The lowest accepted bid for 14 day funds in the Bundesbank's weekly money market operation was 6.95 per cent, slightly larger than market expectations of a cut to 7 per cent.

The move made a cut in Germany's discount rate very likely at today's council meeting, and helped to stop extraordinary falls in the values of the peseta and escudo in early morning trading. The French franc also rose back beyond the FFr3.40 level against the D-Mark and closed in London at FFr3.405.

But, despite yesterday's easing, there was uncertainty in the currency market over what the Bundesbank must do today if it wants to bring the crisis in the ERM to a halt.

Dealers in interest rate markets were anticipating a 50 basis point cut in the German discount rate today as a result of yesterday's move in the repo rate. But, now that this easing is priced into the market, some analysts are uncertain what its actual implementation will mean for the French franc.

Mr Paul Chertkow, global currency strategist at UBS in London, said that the Bundesbank would have to cut the discount rate by at least 75 basis points today. Anything less could, in his view, trigger the collapse of the ERM.

The currency tension was all too clear yesterday morning after the peseta and escudo moved with a volatility that was described by one analyst as unprecedented.

After closing on Tuesday night at Pta80.89, the Spanish currency plummeted to a historic low of Pta82.30 against the German currency. The Portuguese escudo brushed its ERM floor against the D-Mark, bottoming out at Es102.35.

Intervention by the Bank of Spain and the Bundesbank rate cut helped to stabilise the Iberian currencies. The peseta closed at Pta80.41 against the German currency.

Yesterday's tensions depressed the Belgian franc, forcing the authorities in Belgium to intervene in support of the currency. The Belgian franc bottomed out at BFr20.7710 to the D-Mark before closing at BFr20.66.

However, in the futures market, it was striking that the implied annualised volatility in the D-Mark/Belgian franc was at 7 per cent having been at 0.25 percentage points only a few weeks ago. Dealers clearly took a dim view of Belgium's commitment to keep the franc within ½ per cent fluctuations against the German currency.

Sterling suffered another fall against the D-Mark following strong speculation in interest rate markets that the UK could cut base rates in the next few weeks. the pound closed at DM2.5675 from a previous DM2.5700.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 28	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.19672	2.18568	-0.50	3.41	40
Irish Punt	0.808628	0.804649	-0.49	3.40	38
D-Mark	1.94964	1.94369	-0.31	3.21	40
Belgian Franc	40.2123	40.2891	0.14	2.75	8
French Franc	6.53883	6.62754	1.36	1.52	-59
Danish Krone	7.43679	7.55618	1.61	1.27	-60
Portuguese Escudo	192.854	197.601	2.46	0.42	-40
Spanish Peseta	154.250	158.715	2.89	0.00	-49

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

OTHER CURRENCIES

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 4⅛-4⅞ per cent; three years 4⅞-4¾ per cent; four years 5¼-5⅛ per cent; five years 5½-5⅜ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jul 28	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.493	2.568	157.3	8.743	2.260	2.888	2385	1.913	53.05	208.5	1.320
$	0.670	1	1.720	105.4	5.856	1.514	1.934	1597	1.281	35.53	138.3	0.884
DM	0.389	0.581	1	61.25	3.405	0.880	1.125	928.7	0.745	20.66	80.41	0.514
YEN	6.357	9.491	16.33	1000.	55.58	14.37	18.36	15162	12.16	337.3	1313	8.392
F Fr.	1.144	1.708	2.937	179.9	10.	2.585	3.303	2728	2.188	60.68	236.2	1.510
S Fr.	0.442	0.661	1.136	69.60	3.869	1	1.278	1055	0.846	23.47	91.37	0.584
N Fl.	0.346	0.517	0.889	54.47	3.027	0.783	1	825.8	0.662	18.37	71.50	0.457
Lira	0.419	0.626	1.077	65.95	3.666	0.948	1.211	1000.	0.802	22.24	86.58	0.553
C $	0.523	0.780	1.342	82.23	4.570	1.181	1.510	1247	1	27.73	107.9	0.690
B Fr.	1.885	2.814	4.841	296.5	16.48	4.260	5.444	4496	3.606	100.	389.3	2.488
Pta	0.484	0.723	1.244	76.17	4.234	1.094	1.399	1155	0.926	25.69	100.	0.639
Ecu	0.758	1.131	1.945	119.2	6.623	1.712	2.188	1807	1.449	40.19	156.4	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

MONEY MARKETS

UK Rate Hopes

There was strong speculation in sterling interest rate markets yesterday that the UK authorities would cut base rates in the next few weeks, *writes Stephanie Flanders*.

The speculation was partly fuelled by a belief that a cut in Germany's discount rate this week would help the UK to ease monetary policy again. A report from the Confederation of British Industry on Tuesday that UK exports could be being hit by the higher sterling exchange rate in recent months also added to speculation that the UK would want to try to bring down the value of the pound.

"Most of the shift in expectations seems to have come directly from Tuesday evening's news reports", said one observer. "Rates had got stuck at a level which implied that cutting rates was a fairly free option, and now the market has begun to concentrate harder on precisely when it will occur".

Caught up most with the new mood was trading in sterling futures. The September contract gained a full 18 basis points, closing at around 94.36, while the December contract was similarly affected, closing 17 basis points higher at 94.58.

However, some dealers felt that an early cut in base rates was hard to envisage. "If anything, the futures market has over-reacted" said one London analyst. "Every piece of paper says that there will be a cut in rates around budget time, not at the end of this week, but clearly a lot will depend on events in Europe."

At the short end, there was a lingering £2.25bn shortage, dispatched in discount market operations throughout the day and a small amount of late assistance from the Bank of England. Observers said the delay could be traced to the "wait and see" attitude of a number of players, pondering the new thinking on UK interest rates. Overnight rates peaked at 7¼ per cent, but later closed at around 6 per cent.

In Paris, developments in the French markets reflected the belief that a German interest rate reduction at today's central bank council meeting, combined with a significant domestic fiscal stimulus, might allow the franc to retain its parity for the rest of the summer.

Three month French money market rates fell to around 8.25 per cent, down 100 basis points on the day. Trading in French franc futures was also affected, with the September Pibor contract closing at 92.78, down two basis points on the previous day, and the December contract closing down 5 basis points at 94.03.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jul 28) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid 3¼	offer 3⅜

MONEY RATES

LONDON MONEY RATES

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls August	Calls September	Calls December	Puts August	Puts September	Puts December
118	-	2.36	-	-	0.07	0.50
119	-	1.37	1.75	0.01	0.20	0.84
120	0.26	0.68	1.20	0.08	0.51	1.28
121	0.03	0.25	0.77	-	1.04	-
122	-	0.09	0.46	-	-	-
Open Int	20,695	134,133	56,452	33,875	181,744	40,422

Estimated volume 37,202 † Total Open Interest 503,301

† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai	6	Wimbledon & Sth West	7
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

WORLD STOCK MARKETS

AUSTRIA — BELGIUM/LUXEMBOURG — DENMARK — FINLAND — FRANCE — GERMANY — ITALY — NETHERLANDS — NORWAY — SPAIN — SWEDEN — SWITZERLAND — SOUTH AFRICA

[illegible]

CANADA

TORONTO

4 pm close July 28

[illegible]

MONTREAL

4 pm close July 28

[illegible]

INDICES

NEW YORK — STANDARD AND POOR'S — NEW YORK ACTIVE STOCKS — TRADING ACTIVITY — CANADA

[illegible]

Base values of all Indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

WORLD						
M.S. Capital Intl.(1/1/70) $	571.7*	571.4	569.4	565.8	576.30 (3/6)	488.60 (13/1)
Euro Top-100 (26/6/90)	1050.38	1047.52	1045.58	1036.19	1050.38 (28/7)	862.73 (13/1)

**Saturday July 24: Taiwan Weighted Price; 4030.42. Korea Comp Ex; 741.83.
♥ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all Indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Wednesday, July 28, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nikkatsu	6.0m	16	-1	Tsumura & Co	2.6m	2,100	-10
Takasago Intl Co	4.6m	841	+36	SXL Corp	2.4m	1,280	+10
Nippon Kayaku	4.1m	888	+5	Sumitomo Mtl Min	2.3m	1,050	-10
Gunma Bank	2.9m	1,230		Nippon Steel	2.3m	370	+1
NEC Corp	2.8m	973	-4	Denki Kogyo	1.8m	1,180	+30

JAPAN

[illegible]

AUSTRALIA — HONG KONG — MALAYSIA — SINGAPORE

[illegible]

4 pm close July 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14 5/8	11 1/2	AAR Corp	0.48	3.6	58	25	13 1/2	13 1/4	13 3/8	
29 3/8	20	A L Labs A	0.18	0.7	42	100	24 1/8	23 7/8	24 1/8	
63 7/8	54 5/8	AMP Inc	1.60	2.6	22	4367	61 3/4	60 1/8	61 3/4	+1 1/4
72 3/4	55 1/2	AMR			16	6967	65 1/8	62 3/4	64 3/4	+3/8
2 3/4	1 3/4	ARX			14	111	2 5/8	2 3/8	2 1/2	-1/8
51 1/2	29 7/8	ASA	2.00	4.2	31	1209	48 1/2	47 3/4	47 7/8	+1/2
30 3/4	22 5/8	Abbott Lab	0.68	2.7	15	6065	25 5/8	25 1/4	25 1/4	-1/4
12 5/8	9 7/8	Abitibi Pr	0.50	5.1	4	2	9 7/8	d9 7/8	9 7/8	-1/8
14 1/4	8 1/4	Acpencain			227	136	13 7/8	13 1/2	13 5/8	-1/4
32	26 1/2	ACE Ltd	0.40	1.4		251	28 3/4	27 7/8	28 3/4	+1/8
12	10 3/4	ACM Gvt In	0.96	8.3		422	11 5/8	11 1/2	11 5/8	
10	9 1/8	ACM GvOpp	0.80	8.1		116	9 7/8	9 7/8	9 7/8	-1/8
9 7/8	8 3/4	ACM Gvt Sp	0.80	8.4		785	9 1/2	9 3/8	9 1/2	
11 5/8	10 1/2	ACM Gvt Se x	0.96	8.6		820	11 1/8	11	11 1/8	+1/8
11 5/8	9 5/8	ACM Man	1.08	9.6		99	11 1/4	11 1/8	11 1/4	+1/8
9 3/8	8 5/8	ACM Managd	0.72	7.9		172	9 1/8	9 1/8	9 1/8	
12 3/8	7 3/4	Acme Cleve	0.44	4.2	14	86	10 1/2	10 3/8	10 1/2	
9 1/4	6 1/2	Acme Elect			258	6	7 3/4	7 3/4	7 3/4	-1/8
24 3/4	18 3/8	Acordia	0.44	1.9	13	18	23 3/8	23 1/8	23 1/2	+1/8
16	10 3/8	Acuson			13	1407	12 5/8	12	12 1/8	-1/2
22 1/4	19 5/8	Adams Expr	0.48	2.3	1	40	20 3/4	20 5/8	20 3/4	+1/8
66	45 1/2	Ad Micro	3.00	5.6		3	54 1/2	54	54	-1/4
32 3/4	17 5/8	Ad Micro P	3.00	12.4	9	1819	24 3/8	24 1/8	24 1/8	-1/4
7 3/4	5 1/2	Advest Grp	0.16	2.8	9	20	5 3/4	5 3/4	5 3/4	
24 3/4	17 3/4	Advo Inc	0.08	0.5	19	18	18	d17 3/4	17 3/4	-1/4

- B -

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
30	22 1/2	Barcls ADR	0.90	3.1	100	39	29	28 7/8	29	+1/8
35 3/4	21 1/4	Bard (C R)	0.56	2.2	15	722	25 1/4	25	25	-1/4
33	28 7/8	Barnes Grp	1.40	4.4	31	29	31 1/2	31 1/8	31 1/2	+1/4
50 3/8	40	Barnett Bk	1.44	3.1	23	668	46 7/8	46 3/8	46 3/4	-1/4
8 1/4	5 1/8	Baroid	0.20	2.7	30	1230	7 1/2	7 3/8	7 3/8	-1/8
10 3/8	4 7/8	Battle Mt	0.05	0.5	18	8714	10 1/4	9 7/8	9 7/8	+1/8
57 1/2	45 1/8	Bausch Lmb	0.88	1.9	15	3687	46 3/4	45 1/4	46 3/4	-5/8
32 3/4	26 1/4	Baxter	1.00	3.8	14	4053	26 3/4	26 3/8	26 3/8	
29 7/8	24 3/8	Bay St Gas	1.42	5.1	15	200	28 3/8	28	28	-1/8
25	22	Bd Tr 1838	1.72	7.1		2	24 1/4	24 1/4	24 1/4	
24 1/4	15 3/4	Bear Stns	0.60	2.5	8	448	24 1/8	23 3/4	24	+1/4
50	45 1/2	BearStPIA	2.77	5.7		5	49	49	49	
24 3/4	20 1/2	Bearings	0.64	3.0	74	158	21 5/8	21 1/2	21 1/2	-1/4
25 1/2	19 3/4	Beckman In	0.36	1.6	13	408	22 1/8	21 3/4	21 7/8	-1/8

Continued on next page

NYSE COMPOSITE PRICES

4 pm close July 28

Continued from previous page

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1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22	16½	S Anita Rt	1.36	7.8	17	63	17⅝	17⅜	17⅜	-⅛
20¾	15¾	SCOR US Cp	0.32	1.9	206	2	16½	16½	16½	
29½	20	SPS Techno	1.38	4.5	21	28	29	28⅝	28⅝	
14½	12⅞	Sabine Rt	1.77	13.5	9	59	13¼	13⅛	13⅛	-⅛
13¾	8⅞	Salecard	0.20	1.5	12	252	13⅜	12⅞	13	-½
23½	16⅞	Safeg'd Sc			9	68	19⅜	18⅝	18⅞	-¼
24¾	15½	SafetyKln	0.36	2.3	23	1689	15¾	d15⅜	15⅜	-⅜
17⅝	10⅞	Safeway			26	477	17⅛	17	17⅛	+⅛
3⅞	2	SafewayWBB				11	3¼	3⅝	3¾	+⅛
44½	37½	StJoePaper	0.20	0.5	103	247	43⅜	40¼	43⅜	+2⅜
37¾	31	StJosLAP	1.76	4.8	14	58	37	36½	36¾	-¼
86¾	75	St Paul's	2.80	3.3	13	308	85⅝	85⅛	85⅛	+⅛
11⅝	7⅞	Salant Crp			6	85	9½	9⅛	9½	+¾
75¼	39⅞	Sallie Mae	1.20	2.6	10	3105	46⅛	45⅝	45¾	
13⅞	13	Salomon Br x	0.32	2.4		229	13½	13⅜	13½	+⅛
41⅞	34	SalomonInc	0.64	1.6	20	1837	40½	39⅝	40	+¼
28⅞	23¼	SanDgo G&E	1.48	5.6	14	326	26¾	26⅜	26¾	+⅜
4⅝	3½	SantaFeEDu	0.40	10.3	163	47	4	3⅞	3⅞	-⅛
11⅞	9⅛	SantaFeEnr	0.16	1.7	962	606	9⅝	d9⅛	9⅝	+⅜
40¾	35¼	SantaFePac	2.80	7.3	13	11	38⅝	38¼	38¼	-¼
18½	12¾	SantaFPac	0.10	0.6	11	4229	17⅞	17⅝	17¾	
31⅛	22½	Sara Lee	0.58	2.6	16	7761	22¾	d22¼	22¼	-⅜
49	40⅛	Scana Corp	2.74	5.7	14	738	48⅜	48¼	48⅜	+⅛
24⅞	21½	Scecorp	1.42	5.9	14	4241	24¼	24⅛	24⅛	
38⅞	23⅞	SchererRP			23	738	28⅜	27	28⅜	+1⅜
70⅞	51¼	ScheringPl	1.80	2.8	16	5742	67½	64½	64½	-2¾
68⅞	55⅜	Sch'berger	1.20	1.9	24	3669	64¾	64¼	64⅜	-⅜
29⅝	16½	Schwab(C)	0.20	0.7	17	3955	29¼	28⅜	29¼	+¾
7¾	5⅝	Schwitzer			32	105	7⅜	7¼	7⅜	+¼
35	17¾	SciAtlin	0.12	0.4	47	860	30	29½	29⅝	-⅛
13¼	9⅛	Scotman	0.10	0.8	12	9	12¼	12	12	-¼
41	31⅝	ScottPaper	0.80	2.5	19	1297	31⅞	d31⅝	31¾	
21	14¾	ScudderNAsF	0.21	1.0		11	20⅝	20½	20⅝	
9⅞	7½	ScudderNEuF	0.16	1.6		130	9¾	9⅝	9¾	

- T -

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- V -

- W -

- X - Y - Z -

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
88⅞	71½	Xerox	3.00	4.1	30	4207	72⅝	71¾	72⅜	+⅜
55½	51½	Xerox4.125	4.12	7.6		z100	54⅝	54⅝	54⅝	-⅛
50½	31¼	Xtra Corp	0.48	1.1	18	197	43½	43	43⅛	
27	19½	Yankee Egy	1.16	4.3	16	132	u27⅝	26⅞	27¼	+⅛
1¾	¾	Zapata			56	118	1⅛	1	1⅛	+⅛
10½	5⅞	ZenithElec			2	856	7⅞	7¼	7⅞	+⅝
29⅛	19⅝	Zenith Nat	1.00	3.4	24	398	29⅛	28⅞	29⅛	+⅛
7⅞	6½	Zenix Inc x	0.82	10.4		275	u7⅞	7⅝	7⅞	+¼
15⅞	12¾	Zero Corp	0.40	3.0	18	247	13⅝	13½	13½	-⅛
40¾	30⅛	Zurn Ind	0.88	2.7	14	510	32⅝	31⅜	32⅝	+⅞
13¼	12⅝	Zweig Fund	1.12	8.6		54	13	12⅞	13	
10⅝	9⅞	Zweig Tot	0.96	9.0		1525	u10⅝	10⅜	10⅝	+⅛

Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close July 28

NASDAQ NATIONAL MARKET

4 pm close July 28

AMERICA

Merck fall puts check on advance by Dow

Wall Street

ENCOURAGING economic news battled with declines in several big stocks, including DuPont and Merck, to leave US stock little changed yesterday morning in spite of some encouraging economic news, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 5.59 at 3,559.87. The more broadly based Standard & Poor's 500 was 0.07 lower at 448.17, while the Amex composite was down 0.06 at 434.71, and the Nasdaq composite up 3.78 at 704.78. Trading volume on the NYSE was 163m shares by 1 pm.

The morning's economic news was broadly positive. The commerce department announced a 3.8 per cent climb in June durable goods orders, an increase that was three times larger than analysts had forecast. The figures, however, came with a catch. The big increase was due primarily to a large jump in orders for commercial aircraft, a traditionally volatile component. Without the aircraft orders, the overall increase was just 0.3 per cent. Even then, analysts said that they were still relieved to see that orders were up in June.

The news failed to lift market sentiment or prices, which tumbled at the opening, before recovering later. Although some investors continued to take profits following recent record-breaking gains in the Dow, the bulk of the declines were attributable to a handful of leading stocks.

Merck led the way, falling almost $2 in early trading after the big drugs group announced a $6bn acquisition of Medco Containment Services, which will be funded through a new equity issue and debt financing. Merck recovered some of its losses later in the morning, and by early afternoon the stock was down $1¼ at $30⅞ in volume of 4.2m shares. Medco, traded on the Nasdaq market, soared $5⅝ to $35¼.

DuPont fell $1½ to $47¼ after the company disappointed the markets with second quarter earnings of 76 cents a share, well below the 84 cents a share expected by analysts.

Chrysler dropped $2⅞ to $41⅞ in volume of 5.8m shares even though the car maker unveiled strong second quarter net income of $685m, which included one-off gains worth $110m from the sale of stock and a plastics unit. The decline may have been a natural correction following recent big gains in Chrysler's share price.

In the same sector, Ford climbed $⅝ to $51⅝ in volume of 1.1m shares on news of an impressive improvement in second quarter earnings. General Motors' class E shares, which represent the company's EDS unit, firmed $1⅛ to $27⅞ after the company, which announced as-expected profits yesterday, said it expected double-digit revenue growth in 1993.

Eastman Kodak rose $1⅛ to $52⅛ after the company reported second quarter net income of $1.13 a share, up from $1.11 a share a year earlier, even after a special charge.

Canada

TORONTO was firmer at midesssion helped by strength in metals and oil and gas.

The TSE-300 composite index was 15.38 higher at 3,926.98 in volume of 28m shares.

Among sub-indices the oil and gas sector was 46.72 firmer at 4,538.88.

EUROPE

Market hopes rise for interest rates cut

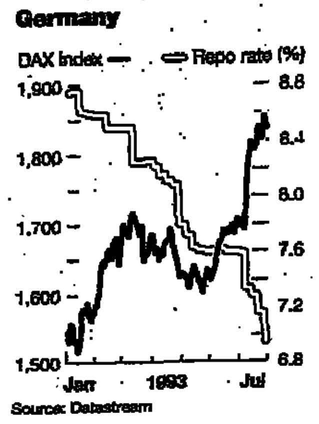
BOURSES were mixed yesterday ahead of today's Buba meeting, *writes Our Markets Staff.*

FRANKFURT eased in spite of a cut in the repo rate which may herald an easing in interest rates today. The market is looking for a cut in the range of 25-50 basis points.

However, Nikko Europe, expressing a widely held view, suggested that a cut today would not be justified by monetary guidelines and could "thus only be in response to political pressures; and such a scenario would be found prurient to many members of the policy-making council as an infringement of a long-standing tradition of political independence".

The DAX index lost 11.32 to 1,833.91 in turnover of DM7bn.

The car sector continued to feature after Volkswagen forecast earnings recovery later in the year and the shares put on DM11.70 to DM359.70. Elsewhere, Porsche gained DM9.20 to DM579 but Daimler fell back DM7.50 to DM682.50.



Source: Datastream

PARIS drifted lower as the market marked time ahead of today's Buba meeting. The CAC-40 index lost 8.58 to 1,989.53 in turnover of FFr2.8bn.

The market is also awaiting tomorrow's June unemployment figures which are expected to show another rise, perhaps to 3.5m. Futures and options also expire on Friday.

Elf Aquitaine attracted investor interest yesterday, the shares going against the trend with a gain of FFr6.90 to FFr415.90, while Eurotunnel built on Tuesday's gains, adding a further 70 centimes or 1.8 per cent to FFr39.30.

AMSTERDAM gathered a little ground, the CBS Tendency index up 0.4 to 119.6.

Hoogovens gained Fl 1.70 to Fl 40.40 after a US steel ruling on anti-dumping excluded hot-rolled steel.

MILAN quickly overcame some early nervousness in the wake of the overnight bombing as the prospects for lower interest rates seemed more persuasive. The Comit index edged 1.50 higher to 558.18.

Ferruzzi remained volatile in speculative trading, rising L32.5 or 7.7 per cent to L454.

ZURICH was led higher by a strong banking sector, on expectations of strong profits growth this year and the SMI index rose 10.3 to 2,408.8.

UBS bearers, the day's most active issue, gained SFr20 to SFr1,198 while SBC bearers gained SFr15 to SFr487, helped by a warrant issue.

BRUSSELS was cautious ahead of the Bundesbank meeting and the Bel-20 index edged 0.18 higher to 1,301.67. Cockerill Sambre, the steelmaker, rose BFr7 or 5.9 per cent to BFr125 in heavy trade as it caught up with gains elsewhere in the sector.

VIENNA recovered some of its early losses and the ATX index closed down 6.65 at 969.47 after touching an early low of 955.56.

MADRID slipped off the day's highs after the emergence of profit-taking but the general index posted a 1.52 rise to 263.87.

STOCKHOLM finished at a year's high with the Affärsvärlden index up 12.40 to 1,185.60 and the building and property sector some 4.3 per cent firmer.

HELSINKI's Hex index improved 2 per cent to 1,227.8 with interest mainly concentrated on banks.

ISTANBUL corrected recent falls in technically inspired trading as the composite index gained some 7 per cent to 9,714.90. Carnegie International cautions against forecasts that the index will surge back to the 11-12,000 level since economic/politcal factors do not support a sustained rally.

FT-SE Actuaries Share Indices

July 28 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1239.20	1239.84	1239.79	1238.66	1238.02	1237.31	1238.43	1238.35
FT-SE Eurotrack 200	1298.50	1299.36	1300.82	1296.73	1297.32	1298.25	1297.74	1297.56

	Jul 27	Jul 26	Jul 23	Jul 22	Jul 21
FT-SE Eurotrack 100	1238.95	1240.21	1224.42	1217.14	1212.75
FT-SE Eurotrack 200	1297.42	1294.91	1279.96	1275.93	1256.97

Base value 1000 (26/10/90) High/day: 100 - 1240.80; 200 - 1300.82 Low/day: 100 - 1236.88 200 - 1295.25.

Sharp setback in Turkey as Pakistan rallies

John Pitt and Farhan Bokhari review activity in the world's emerging markets

A sharp setback in Turkey last week contributed to a near 4 per cent decline in the Europe/Mideast regional index of emerging markets.

The data, supplied by the IFC, a member of the World Bank, also shows that Pakistan put on an impressive gain during the week in dollar terms, although over the year to date its performance is less substantial.

Pakistani equities fell yesterday, ending the bullish fervour which began with continued rises since the appointment on July 18 of a new interim government.

The KSE-100 index on the Karachi stock exchange fell by 26.88, closing at 1,405.99.

That is still 125.25 points higher than the 1,280.74 closing index on July 19, the day before the beginning of the latest rises. Although many saw the day's activity as a short-term interruption in rising trends, some were confused as to whether the recent round of large profits was gradually ending.

Mr Mudassir Malik, a director at BMA Capital Markets, said many stocks had risen earlier with last week's devaluation of the Pakistani rupee. That had created expectations of larger profits for export-oriented companies, especially in the textile sector.

However, yesterday's falls were partially on account of adjustments for industrial companies other than textiles whose shares had risen, without realising that they were likely to face new pressures on account of higher import bills for their inputs, he added.

A leading Karachi businessman said future trends will be set after Mr Moeen Qureshi, the prime minister, returns from Washington at the end of this week. Mr Qureshi is due to meet senior officials at the IMF and World Bank to discuss Pakistan's external financing needs.

Pakistan has just completed a budgetary year with a record high deficit, and the government is under pressure from external donors to introduce measures for tight fiscal controls, as a step to balance its books.

Elsewhere, Nomura's global strategists this week recommended a switch out of south-east Asia into Mexico, thereby lifting their weighting in the latter from 2 per cent to 5 per cent.

In explanation, Nomura's strategists, Nicholas Knight, Anthony Broccardo and Allison Southey, refer to the combination of fundamentals – less than 10 times 1993 earnings, potential catalyst for a sharp rise if the Nafta negotiations are successful, and a sound technical position.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Jul 23 1993	Dollar terms: % Change over week	Dollar terms: % Change on Dec '92	Local currency terms: Jul 23 1993	Local currency terms: % Change over week	Local currency terms: % Change on Dec '92
Latin America							
Argentina	(11)	606.30	+0.8	+4.5	372,043.54	+0.8	+4.7
Brazil	(44)	188.29	+3.3	+50.6	17,151,437.18	+9.8	+722.4
Chile	(20)	409.92	-0.9	-2.1	663.78	-0.9	+3.5
Colombia[1]	(8)	397.95	+1.9	-6.4	562.18	+2.0	-8.1
Mexico	(59)	661.16	+1.6	-2.2	889.75	+1.4	-2.0
Venezuela[2]	(8)	598.27	+3.1	+15.1	1,241.38	+3.7	+33.0
East Asia							
South Korea[3]	(130)	99.76	-2.5	+1.6	106.01	-2.4	+4.2
Philippines	(11)	152.04	-0.1	+13.9	205.08	+3.1	+26.9
Taiwan, China[4]	(76)	84.12	+1.5	+14.0	83.59	+2.3	+19.9
South Asia							
India[5]	(61)	73.33	+1.6	-21.7	81.09	+1.6	-15.1
Indonesia[6]	(31)	79.11	-0.6	+34.8	89.81	-0.7	+36.6
Malaysia	(61)	210.53	+4.5	+28.7	199.25	+4.3	+26.3
Pakistan[7]	(8)	235.67	+7.7	+17.7	300.21	+11.6	+29.5
Thailand	(52)	245.10	+1.2	+6.4	246.51	+1.0	+5.7
Euro/Mid East							
Greece	(17)	226.75	+2.8	+16.1	362.87	+3.4	+27.4
Jordan	(5)	164.39	-3.2	+40.7	235.71	-3.6	+42.1
Portugal	(16)	90.27	-2.7	+17.0	106.46	0.0	+36.6
Turkey[8]	(31)	127.42	-6.5	+90.5	664.18	-6.5	+147.7

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are:(1)Feb 1 1991;(2)Jan 5 1990;(3)Jan 3 1992;(4)Jan 4 1991;(5)Nov 6 1992;(6)Sep 28 1990;(7)Mar 1 1991;(8)Aug 4 1989

ASIA PACIFIC

Uncertain political outlook leaves Nikkei edging lower

Tokyo

TRADING remained subdued by continuing political uncertainty, and share prices were finally marginally lower after trading within a tight range, *writes Emiko Terazono in Tokyo.*

The Nikkei average lost 61.81 at 19,829.58 after a day's low of 19,792.68 and high of 19,958.00. With buying by public pension funds and investment trusts absent, the index lost ground in tandem with the futures market.

Volume amounted to 180m shares, against Tuesday's 200m. Declines outnumbered advances by 513 to 432, with 192 issues unchanged. The Topix index of all first section stocks shed 3.17 to 1,622.28. In London the ISE/Nikkei 50 index rose 1.32 to 1,231.85.

Traders feared that investors would remain inactive, using the political situation as an excuse. Mr Yasuo Ueki at Nikko Securities said: "Even after a new prime minister is chosen, investors may not want to trade until policies are made by the cabinet."

Investors have reacted calmly to the likelihood of a non-Liberal Democratic Party coalition gaining power. The two splinter parties yesterday decided to join the coalition formed by the five remaining opposition parties, giving the opposition side a majority. Market participants are also focusing on the next LDP president, who will be chosen tomorrow.

Some banks lost ground on profit-taking. Sakura Bank receded Y20 to Y1,640 and Fuji Bank lost Y20 to Y2,480. Brokers were also easier on fears of lower profits due to the sharp fall in recent market volume. Daiwa Securities weakened Y40 to Y1,280 and Nikko Securities shed Y20 to Y1,080.

Nomura Securities retreated Y20 to Y2,010. Investors were discouraged by reports that it would bail out an ailing non-bank financial subsidiary.

Speculators took profits in Nikkatsu, the most active issue of the day, which relinquished Y1 to Y16.

Game makers firmed on hopes that new software would boost profits. Sega Enterprises rose Y400 to Y10,700 and Namco Y140 to Y3,690.

Nippon Kayaku, a chemical maker, moved up Y5 to Y889 as investors were encouraged by reports that the renovation of Sumitomo Chemical's epoxy resin plant, which exploded earlier this month, would take longer than expected. Sumitomo dipped Y5 to Y450 on expectations of a lower market share.

In Osaka, the OSE average declined 21.33 to 21,926.24 in volume of 13.8m shares. Nintendo rose Y330 to Y9,580.

Roundup

PACIFIC Rim markets had a mostly restrained session.

HONG KONG finished moderately higher in selective trade as the market awaits results from leading companies in the coming weeks. The Hang Seng index advanced 37.24 to 6,903.21, after hitting an early low of 6,838.20. Turnover shrank to HK$2.3bn from Tuesday's HK$2.9bn.

Sun Hung Kai Properties, the most active stock, put on 50 cents at HK$36.75. It was followed by HSBC Holdings, which added HK$1 at HK$73, and Guoco Group, which gained 90 cents at HK$23. Last week Guoco struck a deal to buy the Overseas Trust Bank from the government.

AUSTRALIA saw News Corp at the centre of attention on an otherwise subdued day and the All Ordinaries index closed 3.5 firmer at 1,818.4.

News Corp climbed 19 cents to A$8.49 with 6.5m shares traded after its successful buy into Star TV, the Asian satellite broadcaster.

Turnover was boosted to A$422m by heavy trading in several stocks. Centro Properties, formerly Jennings Properties, topped turnover with about 87.9m shares changing hands, losing a cent to 56 cents as Fletcher Challenge and Jennings Group sold their combined 35.9 per cent stake.

NEW ZEALAND gained 1.5 per cent in good volume, and the NZSE-40 capital index finished 25.65 higher at a fresh three-year peak of 1,767.97.

Telecom, which reports first-quarter results today, gained 10 cents at $3.46, up 61 per cent from a year ago.

MANILA was mixed after some late profit-taking but the composite index rose 2.59 to a new record of 1,740.97.

TAIPEI saw late nervous selling which left the weighted index 50.81, or 1.3 per cent, lower at 4,019.63 in moderate turnover of T$17.41bn.

Tuesday's release of business indices indicating a possible slowdown had hurt sentiment.

BOMBAY edged lower in thin trade as fears rose over Prime Minister P.V Narasimha Rao's government surviving a no-confidence vote in parliament after the market had closed.The BSE index ended 10.89 down at 2,153.99.

SINGAPORE was left lower on selling in shipyards following weaker than expected half-year earnings reported by Sembawang Shipyard. The Straits Times Industrial index shed 11.32 to 1,794.21.

Sembawang Shipyard fell 50 cents to S$11.60 in volume of 3.08m shares, while its warrants dipped 50 cents to S$5.70 on 563,000 shares traded.

SOUTH AFRICA

GOLD shares rose amid increased optimism about the bullion price and generally supportive buying from local and offshore investors. The index added 53 at 1,970 as industrials put on 14 at 4,526 and the overall 27 at 4,050.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	TUESDAY JULY 27 1993: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JULY 26 1993: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1993 High	1993 Low	Year ago (approx)
Australia (69)	139.30	+0.5	138.60	93.64	124.96	136.75	+0.7	3.67	138.55	136.76	93.58	124.22	135.79	144.19	117.39	141.29
Austria (17)	160.59	+0.7	159.80	107.96	144.07	143.98	+0.7	1.35	159.52	157.46	107.75	143.02	143.00	160.59	131.16	152.40
Belgium (42)	146.60	-0.4	145.87	98.55	131.51	129.25	-0.4	4.43	147.23	145.32	99.43	132.00	129.80	156.76	131.19	148.26
Canada (108)	125.12	+0.8	124.50	84.11	112.24	116.33	+1.1	2.89	124.16	122.55	83.85	111.31	115.12	130.38	111.41	127.39
Denmark (33)	207.58	-0.6	206.55	139.55	186.22	189.65	-0.4	1.19	208.87	206.17	141.07	187.26	190.40	225.64	185.11	240.24
Finland (23)	97.82	+2.1	97.33	65.76	87.75	119.58	+1.8	1.02	95.82	94.58	64.72	85.91	117.49	100.92	65.50	70.47
France (97)	152.03	-0.4	151.27	102.20	136.37	140.52	-0.3	3.26	152.62	150.65	103.08	136.82	140.95	167.36	142.72	158.08
Germany (60)	116.37	-0.5	115.79	78.24	104.39	104.39	-0.4	2.03	116.90	115.38	78.96	104.80	104.80	117.10	101.59	120.62
Hong Kong (55)	276.32	+0.1	274.94	185.75	247.89	275.13	+0.1	3.45	276.00	272.43	186.41	247.46	274.79	301.61	218.82	241.32
Ireland (15)	158.34	+0.3	157.55	106.45	142.04	159.48	+0.3	3.46	157.93	155.89	106.67	141.60	158.85	170.40	129.28	157.26
Italy (70)	69.00	+1.6	68.66	46.38	61.90	82.81	+1.8	1.96	67.91	67.03	45.87	60.88	81.35	72.82	53.78	62.07
Japan (470)	152.13	+1.2	151.38	102.27	136.49	102.27	+0.7	0.81	150.39	148.44	101.57	134.85	101.57	155.96	100.75	91.79
Malaysia (69)	345.09	-0.2	343.37	231.98	309.56	340.90	-0.3	1.98	345.86	341.39	233.59	310.08	341.86	349.34	251.66	238.01
Mexico (19)	1605.15	+2.0	1597.17	1079.07	1439.95	5473.80	+1.9	0.90	1573.95	1553.61	1063.07	1411.15	5372.58	1725.81	1410.30	1303.41
Netherland (24)	166.66	+0.1	165.83	112.03	149.51	147.56	+0.1	3.72	166.51	164.36	112.46	149.29	147.39	172.75	150.39	159.72
New Zealand (13)	52.88	+0.8	52.62	35.55	47.44	50.79	+0.7	4.39	52.45	51.77	35.43	47.03	50.43	52.94	40.56	45.69
Norway (22)	158.44	+0.5	157.65	106.51	142.14	158.49	+0.8	1.66	157.65	155.61	106.48	141.34	157.22	166.21	137.71	171.72
Singapore (38)	252.63	-0.1	251.38	169.84	226.63	188.25	-0.1	1.83	252.82	249.56	170.76	226.67	188.39	262.72	207.04	202.12
South Africa (60)	206.21	+1.1	205.19	138.63	184.99	202.15	+1.1	2.54	204.06	201.42	137.82	182.95	200.04	211.77	144.72	197.22
Spain (44)	117.41	-0.6	116.82	78.93	105.32	123.94	+0.1	4.72	118.07	116.54	79.75	105.86	123.84	132.82	115.23	136.91
Sweden (36)	171.03	-0.8	170.18	114.98	153.43	204.77	-0.2	1.65	172.42	170.19	116.46	154.59	205.22	184.06	149.70	187.52
Switzerland (50)	127.15	+0.4	126.52	85.48	114.08	119.86	+0.3	1.81	126.68	125.04	85.56	113.59	119.45	129.36	108.91	111.94
United Kingdom (218)	174.50	+0.4	173.63	117.30	156.52	173.63	+1.2	3.99	173.81	171.57	117.39	155.82	171.57	181.98	162.00	181.87
USA (520)	183.41	-0.2	182.49	123.30	164.54	183.41	-0.2	2.80	183.83	181.45	124.16	164.82	183.83	186.27	175.38	170.11
Europe (751)	144.44	+0.1	143.72	97.10	129.58	139.53	+0.5	3.20	144.27	142.41	97.44	129.35	138.82	149.02	133.92	147.04
Nordic (114)	161.84	-0.3	161.04	108.80	145.19	169.05	+0.0	1.47	162.41	160.31	109.69	145.61	168.99	171.77	142.13	175.44
Pacific Basin (714)	155.36	+1.1	154.58	104.44	139.37	108.71	+0.6	1.09	153.74	151.76	103.84	137.84	108.02	159.07	105.89	98.58
Euro-Pacific (1465)	150.76	+0.7	150.01	101.34	135.24	121.54	+0.6	1.92	149.74	147.81	101.13	134.25	120.83	154.05	117.26	118.18
North America (628)	179.78	-0.2	178.89	120.87	161.31	178.85	-0.2	2.80	180.12	177.79	121.67	161.51	179.16	182.38	171.51	167.43
Europe Ex. UK (533)	125.62	-0.1	124.99	84.46	112.71	119.63	+0.0	2.66	125.71	124.08	84.92	112.73	119.57	128.65	112.51	125.87
Pacific Ex. Japan (244)	187.64	+0.2	186.71	126.16	168.35	173.46	+0.3	3.19	187.25	184.83	126.49	167.90	173.02	194.08	152.70	165.48
World Ex. US (1652)	151.38	+0.7	150.62	101.77	135.80	123.59	+0.6	1.94	150.32	148.38	101.54	134.78	122.83	154.27	118.51	120.06
World Ex. UK (1954)	159.79	+0.3	158.99	107.42	143.36	136.89	+0.2	2.09	159.24	157.18	107.56	142.78	138.61	161.34	134.22	131.68
World Ex. So. Af. (2112)	160.89	+0.3	160.09	108.17	144.35	141.80	+0.3	2.26	160.35	158.28	108.31	143.77	141.19	162.74	137.29	135.66
World Ex. Japan (1702)	167.83	+0.0	167.00	112.84	150.58	164.34	+0.1	2.94	167.87	165.70	113.39	150.53	164.15	170.05	157.47	160.54
The World Index (2172)	161.10	+0.3	160.30	108.31	144.53	142.11	+0.3	2.27	160.54	158.47	108.44	143.95	141.69	162.86	137.32	136.02

Latest prices were unavailable for this edition.